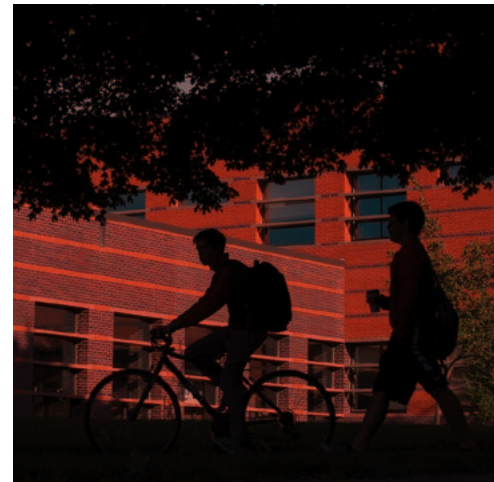
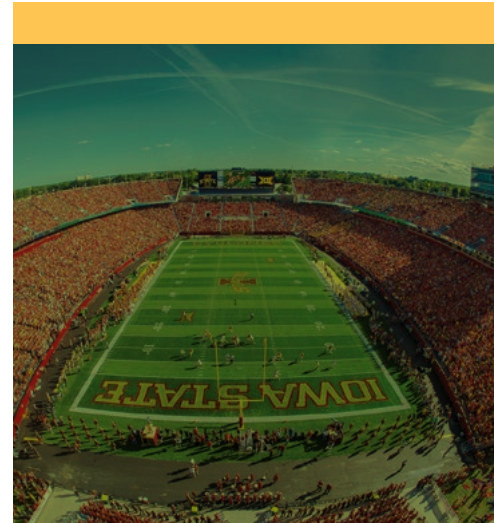


IOWA STATE UNIVERSITY

Financial Report

For the year ended June 30, 2020



Swans: Lancelot and Elaine, a pair of mute swans, are the local residents of Lake LaVerne. The original idea of the swans came from VEISHEA 1935 when a large float shaped like a swan glided onto Lake LaVerne and unloosed four swans. Two of those swans were named Lancelot and Elaine by student Jean Nesinwanger, who won \$10. Since that time, there have been numerous Lancelots and Elaines. *Photo credit: Christopher Gannon/Iowa State University*



UNIVERSITY OFFICIALS

Wendy Wintersteen, *President*

Jonathan Wickert, *Senior Vice President and Provost*

Toyia Younger, *Senior Vice President for Student Affairs*

Pam Cain, *Senior Vice President for Operations & Finance*

Joan Piscitello, *Associate Vice President Central Finance & Treasurer (Retired)*

Heather Paris, *Associate Vice President Central Finance & Finance Delivery*

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Dr. Jim Lindenmayer, *Ottumwa*

Mark Braun, *Executive Director*



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Rob Sand
Auditor of State

Independent Auditor's Report

To the Members of the Board of Regents, State of Iowa:

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the fiduciary activities of Iowa State University of Science and Technology, Ames, Iowa (Iowa State University) and its discretely presented component unit as of and for the years ended June 30, 2020 and 2019, and the related Notes to Financial Statements, which collectively comprise Iowa State University's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, the Iowa State University Foundation, the Iowa State University Achievement Fund and the Original University Foundation (the "Foundation"), discussed in Note 1, which represent 100% of the assets, net position and revenues of the discretely presented component unit. We also did not audit the financial statements of the blended component units, Iowa State University Research Foundation, Incorporated and Iowa State University Veterinary Services Corporation, discussed in Note 1, which represent 1.5% and 0.1%, respectively, of the assets and 0.3% and 0.4%, respectively, of the revenues of the University. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those financial statements, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation and Iowa State University Research Foundation, Incorporated were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Iowa State University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Iowa State University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the fiduciary activities of Iowa State University and its discretely presented component unit as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2020 and 2019 in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 1, the financial statements of Iowa State University are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of Iowa State University. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2020 and 2019 and the changes in its financial position and its cash flows for the years ended June 30, 2020 and 2019 in conformity with U.S. generally accepted accounting principles.

Also as discussed in Note 1 to the financial statements, Iowa State University adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

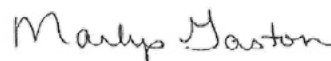
Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability, the Schedule of University Contributions and the Schedule of Changes in the University's Total OPEB Liability, Related Ratios and Notes on pages 3 through 13 and 62 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

Our report on Iowa State University's internal control over financial reporting and other tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters required by Government Auditing Standards will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



Marlys K. Gaston, CPA
Deputy Auditor of State

September 10, 2021



Detail of *Conversations*, 1947-1955 by Christian Petersen. In the Art on Campus Collection, University Museums, Iowa State University.

Iowa State University provides this Management's Discussion and Analysis as a narrative overview of the financial activities of the University for the year ended June 30, 2020, along with comparative data for the years ended June 30, 2019 and 2018. Readers are encouraged to consider this information in conjunction with the University's financial statements and related notes to the financial statements that follow.

Iowa State University follows Governmental Accounting Standards Board (GASB) Statement No. 39 which requires the primary government to discretely present, within its own statements, the financial statements of certain component units. As explained in Note 1C2, the Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the "Foundation") comprise a legally separate, tax-exempt component unit of the University and, accordingly, the combined financial statements are discretely presented with those of the University. However, since the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University, a discussion of these assets is not included in this Management's Discussion and Analysis.

Also, a discussion of the fiduciary activity as presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position as a result of implementing GASB Statement No. 84 is not included in the Management's Discussion and Analysis.

GASB Statement No. 84, Fiduciary Activities, was implemented in fiscal year 2020. This standard establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position.

As a result of adopting GASB Statement No. 84 in fiscal year 2020, the beginning net position was restated by \$13.6 million, \$11.9 million, and \$8.4 million in fiscal years 2020, 2019, and 2018, respectively, to retroactively include non-fiduciary funds and exclude fiduciary funds, as shown in Note 12 - Restatement.



CORONAVIRUS (COVID-19)

Iowa State University emergency management, public safety, and student health leaders began actively tracking the Coronavirus Outbreak (COVID-19) in early January 2020. This proactive approach enabled ISU senior leadership and other key university officials to quickly mobilize in late January when the COVID-19 outbreak widened. On January 27, 2020, the ISU Emergency Operations Center and a number of university working groups were activated: Study Abroad, Health Services, Academic Continuity, Public Information, etc. to evaluate specific decisions and action items. In accordance with the CDC and State Department guidance, university leadership prohibited travel to China and recalled ISU students in the country.

On February 26, 2020, the university's Incident Management Team and Strategic Response Working Group were activated based on projections for the need for a long-term university response. In accordance with the CDC, the university restricted travel to South Korea and Italy. Days later, all university-sponsored international travel was suspended, including spring break travel.

On March 9, the first presumptive positive cases of COVID-19 were reported in Iowa. ISU students, faculty and staff were alerted on March 10 that instruction would move online, and the following day the World Health Organization declared COVID-19 a global pandemic.

In spring 2020, Iowa State University took the following actions to mitigate the impact of COVID-19: (1) on March 18, 2020, announced that all courses would be moved to virtual instruction for the remainder of the spring semester and subsequently moved all summer courses online; (2) asked students in the residence halls to return to their permanent home; (3) instructed employees to work from home where possible to maintain university operations while maximizing physical distancing; (4) canceled, postponed or moved online all in-person events, meetings, and extension programs, including moving spring commencement to a virtual format; (5) canceled Study Abroad courses through the summer.

For the Spring 2020 semester, the University did not refund tuition, but did refund \$15.3 million of housing, dining, and student



course charges based on the prorated number of days remaining in the semester. Prorated refunds for student parking were processed once the parking department received an individual's student permit. Despite these refunds, all bond enterprise units met their debt service coverage requirements (as set forth in the Bond Resolution) for fiscal year 2020.

In April 2020, the university began planning for the fall 2020 semester. The Executive Committee for Fall Planning was established to focus on classroom teaching, academic support, residence halls and dining, health and safety, and research support. Key decisions included:

- Fall classes began one week earlier than planned, on Monday, August 17, 2020, and were held on Labor Day. The fall semester ended on Wednesday, November 25, 2020, prior to the Thanksgiving holiday.
- Classrooms were reconfigured to reduce density and classes were offered in multiple modalities: in-person, online or hybrid approach. Labs, studio sections, capstone projects, and other interactive experiences were to largely be delivered through in-person instruction.
- All ISU students living in campus housing were tested at fall move-in. Move-in dates were expanded and staggered over a two-week period to support physical distancing. Two halls were designated for isolation and quarantine space.
- All students, faculty, and staff were given face masks and required to wear them in classrooms, offices, and other areas where physical distancing was not possible.
- In partnership with the city of Ames and Story County, Iowa State launched the Cyclones Care social responsibility campaign to promote: physical distancing, face coverings, hand washing, and staying home if you're sick.

Thielen Student Health Center, in partnership with the College of Veterinary Medicine and the Veterinary Diagnostic Laboratory, and supported by numerous staff from across campus, built a comprehensive public health infrastructure from the ground up. A robust testing operation was established at Johnny's in Hilton Coliseum for symptomatic and close contact testing, and later included a random testing program and asymptomatic testing prior to students leaving at the end of the fall semester.

ISU's public health activities included in-house case management, contact tracing, quarantine and isolation, a daily symptom checker, and online data/dashboard.

In advance of the spring 2021 semester, Iowa State announced additional changes to support continued mitigation efforts, including:

- Spring classes started two weeks later than planned, on Monday, January 25, 2021.
- There was no spring break and instead classes were held that week.
- An optional 5-week online winter term was held, December 14, 2020 – January 21, 2021.
- ISU's Department of Statistics designed a statistical, risk-based sampling strategy, which resulted in 5,000 students selected to test at the beginning of the spring semester. Additional asymptomatic surveillance testing was used throughout the spring semester based on campus trends and needs.

ISU's comprehensive public health infrastructure expanded in the spring to include large-scale vaccination clinics in April and May. From August 1, 2020 – May 11, 2021, ISU's public health response totaled nearly 47,000 COVID-19 tests and more than 10,000 vaccine doses administered to students, faculty, and staff.

The spring 2021 semester concluded with modified in-person commencement celebrations. New CDC guidance informed the university's return to normal occupancy in common spaces, and face mask requirements were relaxed.

On May 20, 2021, the Board of Regents, State of Iowa, lifted its State of Emergency and ISU announced all employees had to return to their regular campus work locations by July 1, 2021, to prepare for the fall resumption of regular in-person classes, labs, studios, residence, dining, student activities, and campus events.

The University was awarded \$112.2 million from the three Higher Education Emergency Relief Fund (HEERF) Acts.

CARES (HEERF I) – \$10.8 million for direct emergency aid to students and \$10.8 million to cover institutional costs associated with the coronavirus.

CRRSAA (HEERF II) – \$10.9 million for direct emergency aid to students and \$21.6 million to cover institutional costs associated with the coronavirus.

ARPA (HEERF III) – \$29.2 million for direct emergency aid to students and \$28.9 million to cover institutional costs and lost revenues associated with the coronavirus

The University continues to carefully monitor the changing landscape in response to the pandemic. The University expects that COVID-19 pandemic will continue to impact how the University meets its mission of teaching, research and extension and outreach over the next several years. The pandemic's impact on overall social interaction, travel, and economies and financial markets may adversely affect University finances and operations. It may materially adversely affect (i) the ability of the University to conduct its operations and/or the cost of operations and the revenues generated thereby, and (ii) the returns on and value of the University's investment portfolio.

USING THIS ANNUAL REPORT

This analysis is intended to serve as an introduction to Iowa State University's basic financial statements. These basic financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The statements provide information on the University as a whole and present both a short term as well as a longer term view of the University's financial position. These basic financial statements also include the Notes to the Financial Statements which explain and provide further detail about the basic statements. Fiduciary activity is presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

THE UNIVERSITY AS A WHOLE

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, liabilities and deferred inflows/outflows of resources of the University. Net Position—the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources—is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved during the year. The Statement of Net Position is also a good source for readers to determine how much the University owes to outside vendors, investors, and lending institutions. Similarly, the Statement presents the available assets that can be used to satisfy those liabilities. The comparison of current and noncurrent assets, deferred outflows of resources, current and noncurrent liabilities, deferred inflows of resources, and net position as of June 30, 2020, 2019, and 2018 is shown below.

	June 30, 2020	June 30, 2019 (Restated)	June 30, 2018 (Restated)
Current Assets	\$ 391,110,376	\$ 228,449,481	\$ 203,054,336
Capital Assets	1,567,340,123	1,510,435,019	1,466,741,209
Other Noncurrent Assets	619,441,083	754,951,008	745,435,828
Total Assets	2,577,891,582	2,493,835,508	2,415,231,373
Deferred Outflows of Resources	35,674,155	36,922,934	39,400,325
Current Liabilities	165,246,799	161,744,891	154,546,486
Noncurrent Liabilities	661,402,010	649,308,460	689,989,254
Total Liabilities	826,648,809	811,053,351	844,535,740
Deferred Inflows of Resources	36,017,628	13,004,116	2,333,309
Total Net Position	\$1,750,899,300	\$1,706,700,975	\$1,607,762,649

Total assets at June 30, 2020, were \$2.58 billion, which is \$84.1 million higher than the prior year. Net capital assets comprised \$1.57 billion of the \$2.58 billion in assets, which is slightly larger in proportion to that of June 30, 2019 due to construction performed on athletic facilities. Total liabilities were \$826.6 million at June 30, 2020, an increase of \$15.6 million.

Net position increased \$44.2 million, or 2.6% for the year. Generally, an increase in net position indicates that the financial condition has improved.

Total net position at June 30, 2020, was \$1.75 billion. The largest portion of the University's net position (60.8%) is categorized as Net Investment in Capital Assets. This category contains the land, buildings, infrastructure, land improvements, equipment, and intangible assets owned by the University, and is offset by related debt liabilities. The restricted portion of net position (7.90%) is divided into two categories, nonexpendable and expendable. The nonexpendable restricted net position is only available for investment purposes. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by the external entities that have placed time or purpose restrictions on the use of the assets. The remaining net position is unrestricted and includes funds earmarked to meet specific purposes, such as funding

for bonded enterprises. The composition of the net position balance is shown below.

	June 30, 2020	June 30, 2019 (Restated)	June 30, 2018 (Restated)
Net Investment in Capital Assets	\$1,064,897,319	\$1,008,727,720	\$ 933,097,127
Restricted Nonexpendable	27,191,812	28,393,864	28,542,907
Restricted Expendable	111,097,890	104,156,296	102,947,154
Unrestricted	547,712,279	565,423,095	543,175,461
Total Net Position	\$ 1,750,899,300	\$1,706,700,975	\$1,607,762,649

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the operating and non-operating revenues earned by the University, the operating and non-operating expenses incurred by the University, and any other revenues, expenses, gains and losses earned or incurred by the University.

In general, a public university such as Iowa State University reports an operating loss since the financial reporting model classifies state appropriations as non-operating revenues. Operating revenues are received for providing goods and services to students, customers and constituencies of the University. Operating expenses are those expenses paid to carry out the missions of the University. Non-operating revenues are revenues received where goods and services are not provided.

Had state appropriations been included in operating revenues, the operating loss for 2020 would have been \$84.9 million compared to \$58.9 million for 2019 and \$44.8 million for 2018. As noted in the previous section, Changes in Net Position, when all non-operating and other revenues and expenses are considered, revenues exceeded expenses by \$44.2 million for 2020.

	For the Years Ended		
	June 30, 2020	June 30, 2019 (Restated)	June 30, 2018 (Restated)
Operating Revenues	\$ 937,987,477	\$ 951,810,411	\$ 946,345,072
Operating Expenses	1,263,429,032	1,248,611,871	1,225,505,200
Operating Loss	(325,441,555)	(296,801,460)	(279,160,128)
Nonoperating Revenues and Expenses	331,006,293	343,355,268	315,778,367
Income Before Other Revenues, Expenses, Gains and Losses	5,564,738	46,553,808	36,618,239
Other Revenues, Expenses, Gains and Losses	38,633,587	52,384,518	25,721,666
Increase in Net Position	44,198,325	98,938,326	62,339,905
Net Position, Beginning of Year (restated)	1,706,700,975	1,607,762,649	1,545,422,744
Net Position, End of Year	\$1,750,899,300	\$1,706,700,975	\$1,607,762,649

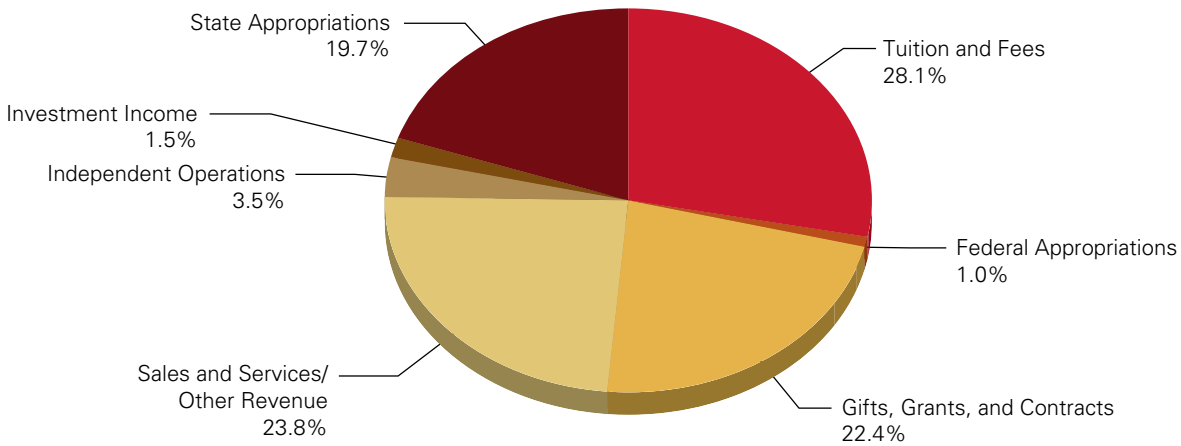
Revenues

Operating revenues for the year ended June 30, 2020, decreased \$13.8 million due primarily to a decrease in sales and services of auxiliary enterprises as a result of operations curtailed in response to the Covid-19 pandemic. Tuition and fees, net of scholarship allowances, decreased \$1.7 million, or 0.45%.

Net non-operating revenues/expenses decreased \$12.3 million, due primarily to a \$12.8 million decrease in investment income.

Other revenues, expenses, gains and losses decreased \$13.8 million. While capital gifts, grants and contracts decreased \$22.3 million, this decrease was offset by a \$8.5 million increase in capital appropriations from the state during fiscal year (FY) 2020. Capital appropriations, grants and contracts are discussed in greater detail later in this Management's Discussion and Analysis.

In summary, total revenues of the University decreased \$41.1 million in FY 2020 from \$1.36 billion to \$1.32 billion. The components of these revenues are shown on the following chart.



In comparing the years ended June 30, 2019, and 2018, operating revenues increased \$5.5 million. The major components of that increase were tuition and fees, net of scholarship allowances, which increased \$10.7 million. In FY 2019, net non-operating revenues increased \$27.6 million over FY 2018 due primarily to an increase in investment income.

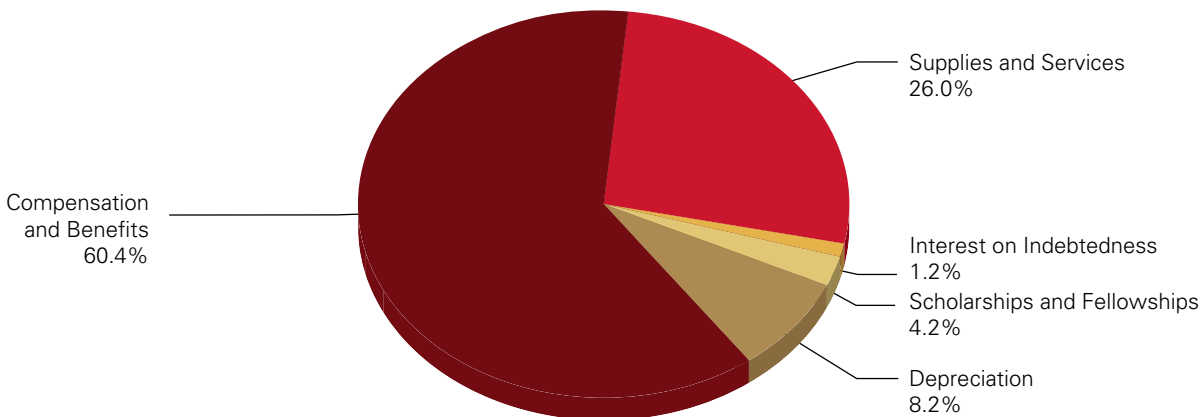
Expenses

Operating expenses were \$1.26 billion for FY 2020. This was an increase of \$14.8 million, or 1.19%, over the previous year. Changes in the major natural expense categories were:

- Supplies and services decreased \$36.3 million, or 10.3%, primarily due to decreased level of operations resulting from changes in spring term due to Covid-19 impacts.
- As the largest expense of the university, compensation and benefits increased slightly by 1.6% or \$12.5 million.

Operating expenses may be classified according to natural categories as in the previous paragraph, see Note 11, or functionally as shown in the financial statements. For FY 2020 all functional categories, as a percentage of total expenses, remained substantially the same as the previous year.

Overall, total expenses for FY 2020 were \$1.28 billion, an increase of \$13.6 million, or 1.1%. The components of these expenses are shown in the following chart:



Comparing the years ended June 30, 2019, and 2018, operating expenses in FY 2019 increased \$23.1 million, or 1.9%, over the previous year. In the natural classifications, percentages of the total have remained relatively consistent over recent years.

Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of the University for the fiscal year. This Statement also aids in the assessment of the University's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, categorized as operating, non-capital financing, capital and related financing, and investing activities.

Cash provided by operating activities includes tuition and fees, sales and services of auxiliary enterprises, and grants and contracts revenues. Cash used for operating activities includes payments to employees and to suppliers. Cash provided or used by non-capital financing activities includes state appropriations, the receipt and disbursement of the federal direct loan program, and non-capital gifts. Cash provided or used for capital and related financing activities represents proceeds from debt, the principal and interest payments towards debt, capital appropriations, capital gifts and grants, and the purchase and construction of capital assets. Cash provided or used by investing activities includes purchases and sales of investments as well as investment income and losses realized.

In FY 2020, cash and cash equivalents increased \$118.9 million, or 95.9% due to proceeds from capital and refunding of debt during FY 2020. Sources and uses are shown in the following table.

	For the Years Ended		
	June 30, 2020	June 30, 2019 (Restated)	June 30, 2018 (Restated)
Cash Provided/(Used) by:			
Operating Activities	(\$242,394,082)	(\$182,588,572)	(\$186,589,755)
Non-capital Financing Activities	326,232,126	324,394,955	317,036,626
Capital and Related Financing Activities	(85,815,672)	(157,543,804)	(137,206,717)
Investing Activities	120,840,676	30,686,850	21,695,071
Net Increase/(Decrease) in Cash	118,863,048	14,949,429	14,935,225
Cash and Cash Equivalents, Beginning of Year	123,995,556	109,046,127	94,110,902
Cash and Cash Equivalents, End of Year	\$242,858,604	\$123,995,556	\$109,046,127

As noted previously, the financial reporting model mandates that state appropriations be classified as non-capital financing sources of cash. If state appropriations had been classified as operating sources of cash, the cash provided by operations would have been (\$1.9) million for FY 2020 compared to \$55.3 million for FY 2019 and \$47.8 million for FY 2018.

CAPITAL ASSETS

At June 30, 2020, the University had \$3.21 billion invested in capital assets, with accumulated depreciation and amortization of \$1.65 billion, for net capital assets of \$1.57 billion. Depreciation and amortization charges for FY 2020 totaled \$104.2 million. Capital assets, net of accumulated depreciation and amortization, were as follows:

	June 30, 2020	June 30, 2019	June 30, 2018
Land and Land Improvements, Nondepreciable/Nonamortizable	\$ 26,180,031	\$ 24,975,701	\$ 26,988,921
Construction in Progress and Intangible Assets in Development	181,666,216	142,491,507	105,159,396
Infrastructure and Land Improvements, Depreciable/Amortizable	164,746,571	161,555,180	130,829,900
Buildings	981,031,713	998,218,326	1,019,677,965
Equipment and Library Collections	178,159,252	180,274,491	180,537,760
Intangible Assets	35,556,340	2,919,814	3,547,267
Total Capital Assets, Net of Accumulated Depreciation and Amortization	\$1,567,340,123	\$1,510,435,019	\$1,466,741,209

There was one new significant capital project placed into service during FY 2020, the new Finance and Human Capital Management (Workday) software was placed in service resulting in the large increase to Intangible Assets.

There were several capital projects in progress at June 30, 2020. These are included in capital assets as construction in progress and intangible assets in development and will not be depreciated/amortized until the year they are placed in service. The largest of these projects are the Student Innovation Center, the Gerdin Business Building expansion, and the Sports Performance Center and Jack Trice Stadium Improvements projects.

Capital Appropriations, Grants and Contracts

Capital appropriations from the State of Iowa have traditionally been a significant source of funding for construction of new buildings as well as major renovations. The \$19.5 million in capital appropriations from the Statement of Revenues, Expenses and Changes in Net Position for FY 2020 represents funding appropriated for the Student Innovation Center, and Veterinary Diagnostic Laboratory. In FY 2019, the \$11 million represented funding appropriated for the Biosciences Advanced Teaching and Research Building (ATRB), Student Innovation Center, and Veterinary Diagnostic Laboratory.

Capital gifts and grants revenue, consisting primarily of private gifts funding for major building projects, was \$19.1 million for FY 2020, a decrease of \$22.3 million from the prior year. More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2020, the University had \$566.9 million in outstanding debt compared to \$515.3 million at the end of the prior year. Detailed information about the University's outstanding debt is presented in Note 6 to the financial statements. The table below summarizes outstanding debt by type:

	June 30, 2020	June 30, 2019	June 30, 2018
Bonds-Academic Building	\$115,160,266	\$124,573,471	\$133,522,230
Bonds-Enterprise Funds	444,514,359	382,164,565	404,472,960
Capital Leases	6,562,123	7,395,606	8,216,493
Notes	622,628	1,213,293	1,773,637
Total Debt	\$566,859,376	\$515,346,935	\$547,985,320

In FY 2020, the University issued \$77.6 million in Athletic Facilities Revenue Bonds and Dormitory Revenue Refunding Bonds. The University carries an institutional bond rating of Aa2 from Moody's and an AA rating from Standard & Poor's.

ECONOMIC OUTLOOK

The U.S. economy decreased at an annual rate of 31.4% in the second quarter of 2020. The state of Iowa's net General Fund revenues increased 0.9% in fiscal year (FY) 2020, resulting in a \$305 million surplus. The October 2020 State Revenue Estimating Conference forecasts negative growth for FY21, projecting state revenue to decrease by 0.2%. For FY20, the state of Iowa appropriated \$174.6 million for Iowa State University's general operations. For FY21, Iowa State has been allocated \$172.1 million in general education operating appropriations, and other operating appropriations of \$55.2 million. Capital appropriations for FY21 are \$15.525M, with \$3.375M of previously enacted FY2021 appropriation for the Student Innovation Center deferred to FY2022 and \$3.6M of previously enacted FY21 appropriations for the Veterinary Diagnostic Lab was deferred to FY24.

Like institutions all across the country, Iowa State University has experienced unprecedented financial challenges in FY20 and FY21 as a result of the COVID-19 pandemic. The Board of Regents, State of Iowa's FY21 legislative request for Iowa State included a \$7 million general state appropriation increase, but economic uncertainty at the state level resulted in a reduction of \$2.5 million. The Board suspended its five-year tuition plan to incrementally increase rates for the 2020-2021 academic year, and instead held tuition and fees flat. In addition, damage from a historic derecho storm in August 2020 caused further financial strain for the university.

While the financial impacts are significant, Iowa State University has taken decisive and prudent actions to support the long-term financial health of the university. For FY21, the university managed a \$41 million reduction¹ by implementing a 5% university-wide budget reduction, temporarily reducing employee retirement match, placing a temporary freeze on renovation and capital projects except those necessary for safety or supported by private funding, and President Wendy Wintersteen took a 10% salary reduction. Additional actions included the creation of a retirement incentive program and cost-saving changes to the university's benefits program. The university also began planning for another budget reduction of up to 5% for FY22, and is working with state and federal partners to leverage available disaster aid. As part of its FY22 legislative request

¹ <https://www.president.iastate.edu/sites/default/files/communications/President's%20Messages/FY21/2020.7.10%20Budget%20memo.pdf>

for Iowa State University², the Board of Regents is seeking a reinstatement of the FY21 budget reductions, a \$7 million general state appropriation increase to support student success and recruitment and retention of world-class faculty and staff, and a \$2.175 million increase for the Biosciences Innovation Initiative.

President Wendy Wintersteen remains committed to maintaining Iowa State's status as one of the most efficiently run universities in the nation. Iowa State has an exceptionally lean administrative overhead as indicated by the Integrated Postsecondary Education Data System (IPEDS). The latest data show Iowa State's administrative cost (also known as institutional support) per student (\$1,885)³ is the lowest among Iowa's Regents institutions, the university's peer group⁴, and institutions in border states, which are as high as \$7400 per student. Administrative cost is a measure of expenditures per student for day-to-day operations of the institution, not including student services or academic management.

Private funds remain a key component of the University's financial support structure. Iowa State has been very successful at raising private funds as part of the historic *Forever True, For Iowa State* fundraising campaign. As of October 2020, the campaign had raised \$1.386 billion toward its \$1.5 billion goal by June 30, 2021. The Iowa State University Foundation expects that at least half of the total money raised will be directed to student support and scholarships. Last year, the ISU Foundation awarded scholarship support to nearly 7,000 students.

Iowa State University continues to excel in leveraging state resources to secure external funding for research, innovation, and scholarly activities. In FY20, faculty researchers secured \$253 million⁵ in external research funding. This includes record federal support of \$186 million, an increase of 2.7% over the previous record in FY19. Additionally, funding from the U.S. Department of Agriculture more than doubled over prior year to \$47.8 million. That USDA support included five awards of more than \$1 million from the National Institute of Food and Agriculture, including a \$10 million grant to expand the Iowa State-based Consortium for Cultivating Human And Naturally reGenerative Enterprises (known as C-CHANGE) and \$2.9 million to build on the Genomes to Fields Initiative that's studying the interactions of plant genomes and crop environments. Another major federal grant – \$20 million over five years from the National Institute of Standards and Technology – supports the Center for Statistics and Applications in Forensic Evidence based at Iowa State. Funding supports several research projects related to the coronavirus that causes COVID-19, including development of a paper-strip urine test for the virus and statistical modeling and prediction of deaths caused by the disease. Iowa State researchers continue to do an exceptional job of translating their research to the marketplace. Iowa State is once again listed among the top 100 worldwide universities granted U.S. patents (#77), the only institution in Iowa to make the list. Total external funding for FY20 was \$494 million, the third-highest total ever for Iowa State University.

Throughout the COVID-19 pandemic, Iowa State University has been putting its land-grant mission into action – responding to the state's economic and public health needs with innovation, science-based extension and outreach, and education. Iowa State's Veterinary Diagnostic Laboratory (VDL) collaborated with the State Hygienic Laboratory at the University of Iowa to expedite COVID-19 test results. The VDL provided high tech virus testing equipment and expertise to significantly expand testing capacity. Iowa State's Center for Industrial Research and Service (CIRAS) has helped Iowa manufacturers transition their factory lines to produce plastic face shields, masks, and cotton gowns to address the state's shortage of personal protective equipment while also protecting jobs threatened by a severe slowdown. CIRAS also worked with manufacturers in Mason City and Ottumwa to mass-produce face shields and halo components. ISU faculty and students in a partnership with Alliant Energy used 3D printers to manufacture parts for face shields to distribute to Iowa hospitals. ISU Extension and Outreach faculty and staff serve and support Iowans in every county: providing farm management resources to address dramatic agricultural market challenges; providing consumers expertise to answer food and meat safety questions; and providing parents with 4-H at-home learning programs for their children.

As the state's only land grant university, Iowa State University opens its doors widely to provide a high quality education to all eligible Iowans at an affordable price. Despite the COVID-19 pandemic, Iowa State had a robust and diverse fall 2020 enrollment of 31,825⁶, driven in part by a record first-year retention rate of 88.5%. Iowa State's freshman class set a record for average GPA (3.71), and more than 17% are U.S. multicultural students. The university's 4-year graduation rate is a record high 49%. With internships, study abroad, minors, double majors, and challenging STEM programs, some students do take longer than four years to graduate. That said, Iowa State set a record last year in lowering to 4.4 years the average time-to-degree.

2 https://www.iowaregents.edu/media/cms/0920_ITEM_7__Approp_Request_F7ED29745DFDE.pdf

3 <https://nces.ed.gov/ipeds/datacenter/institutionprofile.aspx?unitid=153603>

4 <https://www.ir.iastate.edu/resources/peer-universities>

5 <https://www.news.iastate.edu/news/2020/07/10/externalfunding20>

6 <https://www.news.iastate.edu/news/2020/09/03/enrollment>

That's down from ten years ago when it was 4.6 years. Twenty years ago, it was 4.8 years. Iowa State students – both resident and nonresident – are paying tuition rates that are 20% to 80% less than other universities across the Midwest.

Demand is high for Iowa State graduates, with 95% of graduates landing a job in their field or continuing their education within six months of getting their degree. This success is due in large part to the high-impact practices students engage in during their time at Iowa State. Nearly 75% of ISU undergraduates experienced two or more high impact practices during the last three years via their coursework or co-curricular involvement (e.g., course-based learning communities, study abroad, faculty-student research projects, internships, etc.). ISU's learning communities program has again been nationally recognized, with more than 90 learning communities, and participation by more than 77% of first-year students.

Iowa State's innovation and entrepreneurship ecosystem is flourishing with the opening of the Student Innovation Center. No other university is doing student innovation on the scale occurring at Iowa State University. The Student Innovation Center provides a state-of-the-art space for students to design, fabricate, test and demonstrate ideas – everything from food science to lunar mining, and from digital gaming to solar-powered vehicles. It offers events, lectures and one-of-a-kind professional training such as the new Innovation Fellows Corps program that pairs ISU students with one of more than 50 industry leaders and collaborators to create programs, products, and ideas with global impact. The \$84 million facility is supported by a partnership between the state and university, including Iowa State's largest private gift ever for an academic facility of \$30 million.

Iowa State's strong industry partnerships are providing resources for new facilities to strengthen the university's academic and research programs and the state's economy. In March 2020, Iowa State dedicated the Robert T. Hamilton Poultry Teaching and Research Farm – a project funded entirely through private gifts from individuals and industry. The farm supports Iowa State's role in advancing the state's top poultry and egg industry.

The Iowa State University Research Park is another powerful engine of economic growth – not only for Ames – but for all of Iowa. Despite the economic challenges of the COVID-19 crisis, the ISU Research Park continues to welcome new tenants. Oakland Corporation, an innovative software and IT solutions company based in Story City, opened an office at the research park in June 2020 to gain additional access to ISU talent and software and IT innovations.

CONTACTING IOWA STATE UNIVERSITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide users with a general overview of Iowa State University's finances and to demonstrate the University's accountability for the funds received. Questions regarding this report or requests for additional financial information should be directed to the Controller's Department, Iowa State University, 1620 Administrative Services Building, 2221 Wanda Daley Drive, Ames, IA 50011-1004.



STATEMENT OF NET POSITIONAs of June 30, 2020 and 2019

ASSETS	2020	2019 (Restated)
Current Assets		
Cash and cash equivalents (Note 2A)	\$ 145,860,658	\$ 19,205,642
Investments (Note 2B)	141,353,251	115,212,972
Accounts receivable, net (Note 3A)	38,464,066	29,283,805
Due from government agencies (Note 3B)	28,974,049	29,908,525
Interest receivable	41,359	1,053,540
Notes receivable, net (Note 3C)	930	2,634
Inventories (Note 4)	14,609,976	14,529,238
Prepaid expenses	21,806,087	19,253,125
Total Current Assets	391,110,376	228,449,481
Noncurrent Assets		
Cash and cash equivalents (Note 2A)	96,997,946	104,789,914
Investments (Note 2B)	464,662,164	590,860,541
Accounts receivable, net (Note 3A)	15,190,734	23,583,851
Due from government agencies (Note 3B)	9,873,202	
Interest receivable	1,109,071	674,975
Prepaid expenses	9,000,000	9,600,000
Notes receivable, net (Note 3C)	22,607,966	25,441,727
Capital assets, net (Note 5)	1,567,340,123	1,510,435,019
Total Noncurrent Assets	2,186,781,206	2,265,386,027
TOTAL ASSETS	2,577,891,582	2,493,835,508
DEFERRED OUTFLOWS OF RESOURCES		
OPEB-related deferred outflows (Note 9)	7,210,686	6,669,045
Pension-related deferred outflows (Note 8B)	19,698,518	20,490,789
Unamortized loss from refunding of debt	8,764,951	9,763,100
TOTAL DEFERRED OUTFLOWS OF RESOURCES	35,674,155	36,922,934
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,613,565,737	\$ 2,530,758,442

LIABILITIES	2020	2019 (Restated)
Current Liabilities		
Accounts payable	\$ 20,296,042	\$ 24,185,122
Compensation and payroll liabilities payable	19,161,235	21,676,477
Unpaid claims and contingent liabilities (Note 10B)	6,923,000	8,346,000
Unearned revenue	34,052,647	39,604,238
Interest payable	7,492,950	7,098,822
Long-term debt, current portion (Note 6)	51,829,445	33,074,148
Other long-term liabilities, current portion (Note 6)	25,491,480	27,760,084
Total Current Liabilities	165,246,799	161,744,891
Noncurrent Liabilities		
Accounts payable	8,291,759	8,435,698
Long-term debt, noncurrent portion (Note 6)	515,029,931	482,272,787
Other long-term liabilities, noncurrent portion (Note 6)	138,080,320	158,599,975
Total Noncurrent Liabilities	661,402,010	649,308,460
TOTAL LIABILITIES	826,648,809	811,053,351
DEFERRED INFLOWS OF RESOURCES		
OPEB-related deferred inflows (Note 9)	28,360,224	9,598,604
Pension-related deferred inflows (Note 8B)	6,748,191	2,229,856
Unamortized gain from refunding of debt	909,213	1,175,656
TOTAL DEFERRED INFLOWS OF RESOURCES	36,017,628	13,004,116
NET POSITION		
Net investment in capital assets	1,064,897,319	1,008,727,720
Restricted:		
Nonexpendable:		
Permanent endowment	27,191,812	28,393,864
Expendable:		
Student loans	12,489,933	13,143,556
Scholarships, research, and educational purposes	6,999,028	7,770,561
Reserve for debt service	78,409,180	72,831,152
Capital projects	13,199,749	10,411,027
Unrestricted	547,712,279	565,423,095
TOTAL NET POSITION	\$ 1,750,899,300	\$ 1,706,700,975
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,613,565,737	\$ 2,530,758,442

See the accompanying notes which are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Years Ended June 30, 2020 and 2019

	2020	2019 (Restated)
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$146,014,362 and \$147,102,705 for the years ended June 30, 2020 and 2019, respectively (Note 1R)	\$ 371,242,378	\$ 372,903,579
Federal appropriations	12,693,838	12,971,748
Federal grants and contracts	145,354,250	145,546,032
State and local government grants and contracts	14,646,694	16,465,582
Nongovernmental grants and contracts	31,923,335	32,775,878
Sales and services of educational activities	69,930,338	70,282,733
Auxiliary enterprises, net of scholarship allowances of \$7,554,615 and \$7,933,146 for the years ended June 30, 2020 and 2019, respectively (Note 1S)	219,819,341	227,105,626
Independent operations	45,998,814	46,138,954
Other operating revenues	26,378,489	27,620,279
TOTAL OPERATING REVENUES	937,987,477	951,810,411
OPERATING EXPENSES		
Instruction	275,347,814	282,748,313
Research	147,031,480	162,349,031
Public service	73,148,270	79,348,847
Academic support	196,931,479	195,817,802
Student services	31,372,278	35,232,942
Institutional support	82,282,064	71,305,867
Operation and maintenance of plant	68,163,960	64,948,996
Scholarships and fellowships	53,839,427	41,074,256
Auxiliary enterprises	165,308,633	172,986,251
Independent operations	48,386,883	46,685,863
Depreciation/amortization	104,214,981	96,044,923
Other operating expenses	17,401,763	68,780
TOTAL OPERATING EXPENSES	1,263,429,032	1,248,611,871
OPERATING LOSS	(325,441,555)	(296,801,460)
NONOPERATING REVENUES/(EXPENSES)		
State appropriations	240,525,690	237,883,674
Federal grants and contracts	27,692,786	29,128,541
Nonfederal gifts, grants and contracts	58,012,853	59,650,711
Investment income	20,204,492	33,047,292
Interest on indebtedness	(15,622,064)	(15,405,908)
Gain (loss) on disposal of capital assets	107,801	(1,393,540)
Other net nonoperating revenues/(expenses)	84,735	444,498
NET NONOPERATING REVENUES/(EXPENSES)	331,006,293	343,355,268
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	5,564,738	46,553,808
Capital appropriations	19,499,583	11,000,001
Capital gifts, grants and contracts	19,134,004	41,384,517
TOTAL OTHER REVENUES, EXPENSES, GAINS & LOSSES	38,633,587	52,384,518
CHANGE IN NET POSITION	44,198,325	98,938,326
Net Position, Beginning of Year	1,693,110,059	1,595,858,493
Restatement of beginning fund balance due to adoption of GASB 84	13,590,916	11,904,156
Net Position Beginning of Year, (as restated)	1,706,700,975	1,607,762,649
NET POSITION, END OF YEAR	\$ 1,750,899,300	\$ 1,706,700,975

See the accompanying notes which are an integral part of these financial statements.

STATEMENT OF CASH FLOWS For the Years Ended June 30, 2020 and 2019

	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 369,451,608	\$ 372,519,952
Federal appropriations	12,693,838	13,568,707
Grants and contracts	176,720,661	200,290,203
Sales of educational activities	69,930,338	69,988,679
Sales and services of auxiliary enterprises	218,052,044	227,324,696
Payments for auxiliary enterprises	(168,901,320)	(170,596,148)
Receipts of independent operations	45,998,814	46,480,177
Collections of loans from students	4,932,079	4,614,558
Payments for salaries and benefits	(683,690,255)	(664,313,292)
Payments for goods and services	(258,744,101)	(275,088,577)
Scholarship payments	(53,839,427)	(31,205,441)
Loans issued to students	(1,166,981)	(1,347,300)
Other operating receipts	26,168,620	25,175,214
NET CASH USED BY OPERATING ACTIVITIES	(242,394,082)	(182,588,572)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	240,525,690	237,883,674
Non-capital gifts, grants and contracts	85,705,639	86,412,087
Direct lending receipts	150,176,375	154,748,322
Direct lending payments	(150,175,578)	(154,649,128)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	326,232,126	324,394,955
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	10,580,993	10,291,185
Capital gifts and grants received	27,514,671	25,477,010
Proceeds from capital and refunding debt	85,351,116	-
Proceeds from sale of capital assets	2,112,542	1,233,833
Acquisition and construction of capital assets	(163,124,826)	(143,712,186)
Principal paid on capital debt	(33,074,148)	(32,951,231)
Interest paid on capital debt	(15,260,756)	(15,891,122)
Other capital and related financing sources/(uses)	84,736	(1,991,293)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(85,815,672)	(157,543,804)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received on investments	13,682,221	17,405,003
Proceeds from sales of investments	177,252,040	327,859,530
Purchases of investments	(70,093,585)	(314,577,683)
NET CASH USED BY INVESTING ACTIVITIES	120,840,676	30,686,850
NET CHANGE IN CASH AND CASH EQUIVALENTS	118,863,048	14,949,429
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (RESTATED)	123,995,556	109,046,127
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 242,858,604	\$ 123,995,556

continued on next page

STATEMENT OF CASH FLOWS (continued) For the Years Ended June 30, 2020 and 2019

	2020	2019 (Restated)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	\$ (325,441,555)	\$ (296,801,460)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation/amortization	104,214,981	96,044,923
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Accounts receivable and due from government agencies	(9,188,745)	741,263
Inventories	(80,738)	(124,922)
Prepaid expenses	(1,952,962)	3,361,503
Notes receivable	2,835,465	1,766,966
Pension- and OPEB-related deferred outflows of resources	250,630	417,476
Accounts payable, payroll liabilities, and unpaid claims and contingent liabilities	(7,971,263)	(2,232,680)
Unearned revenue	(5,551,591)	6,439,341
Compensated absences and refundable advances on student loans	(5,459,673)	(35,966)
Other postemployment benefits obligation	(18,042,268)	4,119,606
Pension liability	502,773	2,162,989
Deferred compensation liability	210,909	132,067
Pension- and OPEB-related deferred inflows of resources	23,279,955	1,420,322
NET CASH USED BY OPERATING ACTIVITIES	\$ (242,394,082)	\$ (182,588,572)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Capital gifts-in-kind		423,742
Net unrealized gain/(loss) on investments	7,100,357	15,218,435
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents classified as current assets	145,860,658	19,205,642
Cash and cash equivalents classified as noncurrent assets	96,997,946	104,789,914
TOTAL CASH AND CASH EQUIVALENTS	\$ 242,858,604	\$ 123,995,556

See the accompanying notes which are an integral part of these financial statements.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

As of June 30, 2020

ASSETS	Custodial Funds 2020
Current Assets	
Cash and cash equivalents	\$ 10,787,599
Investments	39,347,775
Accounts receivable, net	4,844,033
Other current assets	525,461
TOTAL ASSETS	\$ 55,504,868
 LIABILITIES	
Current Liabilities	
Accounts payable	\$ 340,932
Compensation and related liabilities	546,701
Other liabilities	760,850
Total Current Liabilities	1,648,483
Noncurrent Liabilities	4,500
TOTAL LIABILITIES	1,652,983
NET POSITION	53,851,885
TOTAL LIABILITIES AND NET POSITION	\$ 55,504,868

See the accompanying notes which are an integral part of these financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

As of and for the Year Ended June 30, 2020

ADDITIONS	<u>Custodial Funds 2020</u>
Investment income	\$ 2,008,054
Other additions	68,544,982
TOTAL ADDITIONS	<u>70,553,036</u>
 DEDUCTIONS	
Student aid	46,860,982
Salary and benefits	6,880,188
Supplies and services	16,971,968
Loss on investments	1,699,072
Other deductions	1,941,806
TOTAL DEDUCTIONS	<u>74,354,016</u>
 CHANGE IN NET POSITION	<u>(3,800,980)</u>
 Net Position, Beginning of Year	<u>57,652,865</u>
 NET POSITION, END OF YEAR	<u><u>\$53,851,885</u></u>

See the accompanying notes which are an integral part of these financial statements.

COMBINED STATEMENTS OF FINANCIAL POSITIONAs of June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,991,116	\$ 3,808,183
Receivables:		
Pledges, net (Note 3D)	109,532,829	124,548,294
Estates	14,338,280	16,612,616
Funds held in trust by others	26,818,146	19,664,084
Income tax receivable	355,694	445,642
Due from related organizations	1,114,090	1,219,525
Total receivables	152,159,039	162,490,161
Investments (Note 2C):		
Pooled investments	1,134,710,667	1,114,588,431
Other marketable securities	41,562,303	40,481,830
Real estate and other investments	10,865,543	10,312,907
Total investments	1,187,138,513	1,165,383,168
Property and equipment	3,463,841	3,670,504
Other assets	7,292,994	6,126,023
TOTAL ASSETS	\$ 1,354,045,503	\$ 1,341,478,039
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	1,543,784	1,058,861
Due to related organizations	21,665,298	27,962,802
Bonds payable	1,656,154	1,788,052
Long-term liabilities	2,134,542	2,207,889
Split-interest agreement obligations	19,967,979	20,391,443
TOTAL LIABILITIES	46,967,757	53,409,047
NET ASSETS		
Without donor restrictions	35,677,211	32,676,507
With donor restrictions	1,271,400,535	1,255,392,485
TOTAL NET ASSETS	1,307,077,746	1,288,068,992
TOTAL LIABILITIES AND NET ASSETS	\$ 1,354,045,503	\$ 1,341,478,039

See the accompanying notes which are an integral part of these financial statements.

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 3,666,020	\$ 123,417,114	\$ 127,083,134	\$ 143,408,712
Investment return:				
Pooled investments	15,561,781	(9,034,269)	6,527,512	52,229,881
Nonpooled investments	498,042	722,002	1,220,044	1,872,203
Total investment return	16,059,823	(8,312,267)	7,747,556	54,102,084
Fundraising service revenue	2,500,000		2,500,000	2,500,000
Return on funds held in trust by others		1,616,120	1,616,120	64,985
Other	662,350	1,014,015	1,676,365	1,212,014
Net assets released from restrictions	100,420,401	(100,420,401)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	123,308,594	17,314,581	140,623,175	201,287,795
EXPENSES				
Program	100,693,775		100,693,775	118,644,745
Operating:				
Fundraising	14,279,427		14,279,427	13,128,089
Administrative	5,334,688		5,334,688	4,981,564
Income tax benefit				
Change in value of split-interest agreements		1,306,531	1,306,531	1,751,602
TOTAL EXPENSES	120,307,890	1,306,531	121,614,421	138,506,000
CHANGE IN NET ASSETS	3,000,704	16,008,050	19,008,754	62,781,795
Net Assets, Beginning of Year	32,676,507	1,255,392,485	1,288,068,992	1,225,287,197
NET ASSETS, END OF YEAR	\$ 35,677,211	\$1,271,400,535	\$1,307,077,746	\$1,288,068,992

See the accompanying notes which are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Organization**

Iowa State University of Science and Technology (Iowa State University), located in Ames, Iowa, is a land grant institution owned and operated by the State of Iowa, under the governance of the Board of Regents, State of Iowa (Board of Regents). The Board of Regents is appointed by the Governor and confirmed by the State Senate. Because the Board of Regents holds the corporate powers of Iowa State University, the University is not deemed to be legally separate. Accordingly, for financial reporting purposes, the University is included in the financial report of the State of Iowa, the primary government, as required by U.S. generally accepted accounting principles. The University is classified as a state instrumentality under Internal Revenue Code Section 115 and is exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The University offers courses of study leading to degrees at the undergraduate, graduate, and post-graduate levels. Degrees are available from seven colleges: Agriculture and Life Sciences, Business, Design, Engineering, Human Sciences, Liberal Arts and Sciences, and Veterinary Medicine. Other major operating units of the University are: Agriculture & Home Economics Experiment Station; Extension and Outreach; and the Ames Laboratory, a U.S. Department of Energy sponsored independent operation. The campus consists of approximately 1,819 acres. In addition, farms and other properties, which are stocked and equipped for teaching and research purposes, total approximately 9,871 acres.

B. Basis of Presentation

The University's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

The University reports as a special-purpose government engaged primarily in business-type activities, as defined by GASB. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned, expenses are recorded when an obligation has been incurred, and all significant intra-agency transactions have been eliminated.

The University reports fiduciary activities as custodial funds as defined in GASB Statement No. 84, Fiduciary Activities. Accordingly, the custodial funds are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position, and have been prepared on the accrual basis of accounting.

C. Reporting Entity

As required by accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the financial position and financial activities of the University (the primary government) and certain other entities for which the nature and significance of their relationship with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete. The GASB classification of these entities for the University's financial reporting purposes does not affect their respective legal or organizational relationships to the University.

- 1. Blended Component Units** – The following entities are legally separate from the University, but are so intertwined with the University that they are, in substance, part of the University. Accordingly, they are blended into the University's financial statements.

Iowa State University Research Foundation, Inc. was organized as a corporation to assist in securing protection for intellectual property such as patents and copyrights resulting from research, writing, and other projects of members of the Iowa State University community. The financial statements of this entity have been audited by other independent auditors, and their report may be obtained from the Division of Operations and Finance at Iowa State University. The revenues of this organization are included in the "Other operating revenues" classification,

and expenses are included in the "Institutional support" classification in the Statement of Revenues, Expenses and Changes in Net Position.

Iowa State University Veterinary Services Corporation was organized as a corporation to support and promote the welfare and mission of the University and of its faculty, staff, residents, graduates, students and former students, particularly as related to the University's College of Veterinary Medicine. The financial statements of this corporation have been audited by other independent auditors, and their report may be obtained from the Division of Operations and Finance at Iowa State University. The revenues of this corporation are included in the "Other operating revenues" classification, and expenses are included primarily in the "Academic support" classification in the Statement of Revenues, Expenses and Changes in Net Position.

Miller Endowment, Incorporated was established December 18, 1995, pursuant to the will and codicil of F. Wendell Miller. The will and codicil appointed the presidents of Iowa State University and the State University of Iowa as co-executors of the Miller Estate and co-trustees of the Miller Endowment Trust, a charitable trust, and further directed that the two universities be equal beneficiaries of the income from said trust. The will and codicil also directed the trustees to have the right and discretion to create a charitable corporation, to be "Miller Endowment, Incorporated," to own, administer and control the affairs and property of the trust. This corporation has been organized under Chapter 504A of the Code of Iowa and Section 501(C)(3) of the Internal Revenue Code. During fiscal year 1998, the assets of the trust were officially transferred to Miller Endowment, Incorporated. Since the net revenues and assets of the corporation are solely for the equal benefit of the two universities, one half of the value of the corporation's transactions has been blended into the University's operations. The State University of Iowa's portion of the Endowment is reported as part of the Fiduciary Funds. For investment management purposes, all assets of the trust are pooled with the University's endowment funds. The State University of Iowa's portion of the endowment is reported as part of the fiduciary funds.

Condensed financial information for the University's blended component units, before the elimination of certain intra-University transactions, as of and for the year ended 2020 is as follows:

	Iowa State University Research Foundation, Inc.	Iowa State University Veterinary Services Corporation	Miller Endowment, Incorporated
Condensed Statement of Net Position:			
Current Assets	\$ 3,513,377	\$ 1,166,849	\$
Noncurrent Assets	34,205,358	1,466,211	14,595,385
Total Assets	37,718,735	2,633,060	14,595,385
Deferred Outflows		851,782	
Current Liabilities	2,116,152	496,826	37,703
Noncurrent Liabilities		1,842,322	760,850
Total Liabilities	2,116,152	2,339,148	798,553
Net Position	\$ 35,602,583	\$ 1,145,694	\$ 13,796,832
Condensed Statement of Revenues, Expenses and Changes in Net Position:			
Operating Revenues	\$ 3,327,958	\$ 5,748,938	\$
Operating Expenses	4,538,107	4,816,862	
Net Operating Income	(1,210,149)	932,076	
Nonoperating Revenues and Expenses	(619,549)	11,070	(971,987)
Increase (Decrease) in Net Position	(1,829,698)	943,146	(971,987)
Net Position, Beginning of Year	37,432,281	202,548	14,768,819
Net Position, End of Year	\$ 35,602,583	\$ 1,145,694	\$ 13,796,832

2. **Discretely Presented Component Unit** – The Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the “Foundation”) comprise a legally separate, tax-exempt component unit of the University. The combined financial statements of the Foundation’s organizations are presented in these financial statements because the organizations have a common Board of Directors, common management, and the common objective to promote the welfare of the University and its faculty, graduates, students, and former students. The mission of the Foundation is to secure and manage private gifts that support the University’s aspiration to become the nation’s best land-grant university. The Foundation strives to maximize the interest, involvement and, ultimately, enduring commitment of donors, and to manage donated assets for the benefit of the University in accordance with donors’ wishes.

Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University and its faculty, graduates, students and former students, the Foundation is considered a component unit of the University and is discretely presented in the University’s financial statements. During the years ended June 30, 2020 and 2019, the Foundation distributed and expended \$100,693,775 and \$118,644,745, respectively, on behalf of the University for both restricted and unrestricted purposes as follows:

	2020	2019
Scholarships, Loan Funds, and Awards	\$ 34,197,589	\$ 34,295,074
Faculty and Staff Support	8,916,398	9,796,654
College and Administrative Support	19,923,420	22,650,246
Capital Improvements	37,349,124	51,342,419
Gifts in Kind	307,244	560,352
Total Program Support	<u>\$ 100,693,775</u>	<u>\$ 118,644,745</u>

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the University’s financial reporting entity for these differences.

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Third parties dealing with the University should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Complete financial statements for the Foundation can be obtained from the Foundation at 2505 University Boulevard, Ames, IA 50010-2230 or from the Foundation’s website at www.foundation.iastate.edu.

D. Cash and Cash Equivalents

For purposes of the Statement of Net Position and the Statement of Cash Flows, cash and cash equivalents are reported in accordance with Board of Regents policy, Chapter 2.2 section 4.C.ix.a. The policy states investments purchased by the Regent institutions through Board authorized brokerage firms that meet the definition of cash equivalents, investments with original purchase dates to maturity of three months or less, shall be reported on the audited financial statements of the Regent institutions as cash equivalents.

E. Investments

Investments are reported in accordance with Board of Regents policy, Chapter 2.2, section 4. The policy states that, to appropriately reflect the Board's overall investment strategy and as outlined in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, paragraph 11, the Board sets forth that all funds held by external investment managers, as defined in section 2.2.4.C.iv of the Board's investment policy, shall be reported on the audited financial statements of the Regent institutions as investments.

In accordance with the Board of Regents investment policy, the University considers all funds held by external investment managers, regardless of maturity, to be investments. Investments of the University are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

Investments of the Foundation are carried at fair value based on values provided by an external investment manager and quoted market values. Other investments include certain equity and alternative investments whose fair values are measured using the practical expedient. The practical expedient allows for the use of net asset value (NAV) as estimated by management utilizing information provided by the respective funds' general manager and investment managers in the absence of readily determinable fair market values.

F. Inventories

Inventories consist of supplies, merchandise, grain, and livestock for resale, teaching, and research purposes. Inventories of supplies and merchandise are valued at the lower of cost (primarily weighted average) or market. Inventories of livestock and grain are reported at year-end market value.

G. Prepaid Expenses

Prepaid expenses include prepaid rent expense for office space at the Iowa State University Research Park. The University was appropriated \$12 million from the State of Iowa to reimburse the Iowa State University Research Park for the construction of a Hub Square Facility in exchange for office space at the facility for the 20-year period beginning July 1, 2016. Accordingly, the University recognized prepaid rent expense while the Iowa State University Research Park recognized an equal amount of unearned revenue in the amount of \$9.6 million as of June 30, 2020.

H. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at acquisition value which is the price that would have been paid to acquire a capital asset with equivalent service potential. Capitalization of interest on assets under construction has been included in the cost of those assets. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Intangible assets with a cost of \$500,000 or more are capitalized. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings, 10 to 30 years for infrastructure and land improvements, 2 to 20 years for equipment, 10 years for library collections, and 4 to 15 years for intangible assets.

I. Unearned Revenue

Unearned revenue includes items such as advance ticket sales, summer school tuition not earned during the current year, and amounts received from grants and contracts that have not yet been earned.

J. Compensated Absences

Employees' compensated absences are accrued when earned under the provisions of Chapters 70A and 262 of the Code of Iowa. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death, or termination and, with certain exceptions, accrued sick leave is paid at 100% of the employee's hourly rate to a maximum of \$2,000 upon retirement. The liability for accrued compensated absences reported in the Statement of Net Position is based on current rates of pay.

K. Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and capital leases payable with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences, refundable advances on student loans, total pension liability, total other postemployment benefits (OPEB) liability, and other liabilities that will not be paid within the next fiscal year.

L. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information has been determined based on the University's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

N. Refundable Advances on Student Loans

Refundable advances on student loans consist of federal capital contributions to the University from the Perkins Federal Loan program. The federal capital contributions are refundable to the United States government if the loan program is terminated.

O. Deferred Outflows and Deferred Inflows of Resources

The University's deferred outflows and deferred inflows of resources consist of the following:

- 1. OPEB-related** – Deferred outflows and inflows represent items that have not been recognized in OPEB expense. Deferred outflows and inflows consist of differences between expected and actual experience of the OPEB plan and changes in assumptions.
- 2. Pension-related** – Deferred outflows consist of unrecognized items not yet charged to pension expense and contributions by the University after the measurement date but before the end of the University's reporting period. Deferred inflows consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments and unrecognized items not yet credited to pension expense.
- 3. Unamortized bond refunding losses and gains** – Bond refunding losses and gains, which will be recognized over the life of the bonds, are the difference between the reacquisition price of the new debt and the net carrying amount of the debt being refunded. Deferred outflows consist of unamortized losses resulting from the refunding of bonds. Deferred inflows consist of unamortized gains resulting from the refunding of bonds.

P. Net Position

The University's net position is classified as follows:

- 1. Net investment in capital assets** – Capital assets, net of accumulated depreciation, amortization, and outstanding debt attributable to the acquisition, construction, or improvement of those assets.
- 2. Restricted, nonexpendable** – Net position subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.
- 3. Restricted, expendable** – Net position subject to externally imposed restrictions on use of resources, either legally or contractually.
- 4. Unrestricted** – Net position not subject to externally imposed restrictions and which may be used to meet current obligations for any purpose or designated for specific purposes by action of management or the Board of Regents.

Q. Operating Revenues and Expenses

Operating revenues and expenses reported in the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts, and investment income.

R. Revenue Pledged for Debt Service

Tuition and fees are pledged as security for Academic Building Revenue Bonds, Memorial Union Revenue Bonds, and Recreational System Facilities Revenue Bonds. Auxiliary enterprise revenues are pledged as security for Athletic Facilities Revenue Bonds, Dormitory Revenue Bonds, Memorial Union Revenue Bonds, Parking System Revenue Bonds, Recreational System Facilities Revenue Bonds, Regulated Materials Facility Revenue Bonds, and Utility System Revenue Bonds.

S. Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the Athletic Department, University Book Store, Iowa State Center, Memorial Union, Parking System, Recreation Services, Regulated Materials Handling Facility, Reiman Gardens, Residence Department, ISU Dining, Student Health Center, Telecommunications System, and Utility System.

T. Bond Discounts and Premiums

Bond discounts and premiums are deferred and amortized over the life of the bonds.

U. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Cash and Cash Equivalents

A summary of the book and bank balances for cash and cash equivalents at June 30, 2020 and 2019 is as follows:

	June 30, 2020	June 30, 2019 (Restated)
Book Balance	\$ 242,858,604	\$123,995,556
Bank Balance:		
Covered by FDIC Insurance or State Sinking Fund	\$ 105,036,212	\$108,510,508
Uninsured and Uncollateralized	127,887,197	13,887,859
Total Bank Balance	\$ 232,923,409	\$122,398,367

B. Investments (University)

In accordance with the Code of Iowa and the Board of Regents' policy, the University's operating portfolio may be invested in obligations of the U.S. government or its agencies, certain high rated commercial paper, highly rated corporate bonds, certain limited maturity zero coupon securities, fully insured or collateralized certificates of deposits and savings, eligible bankers acceptances of 180 days or less, certain repurchase agreements, high quality money market funds and highly rated guaranteed investment contracts. The University's endowment portfolio may invest in all of the above as well as certain listed investment grade securities, certain shares of investment companies, and new issues of investment grade common stock.

For donor-restricted endowments, Chapter 540A of the Code of Iowa permits the University to appropriate an amount of realized and unrealized endowment appreciation as the University determines to be prudent pursuant to a consideration of the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is to retain

the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending policy is 5.5%, which includes a 1.25% administrative fee of a three-year moving average market value. Net appreciation of endowment funds, which totaled \$6,999,028 and \$7,770,561 at June 30, 2020 and 2019, respectively, is available to meet the spending rate distribution and is recorded in restricted expendable net position.

Cash and investments for the University's discretely presented component unit are not subject to GASB disclosure requirements. These amounts were \$1.19 billion and \$1.17 billion as of June 30, 2020 and 2019, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University manages this risk within the portfolio using the effective duration method which is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the University. The University reduces exposure to this risk by following the operating and endowment portfolio benchmarks as established by the Board of Regents.

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Of the University's \$606.0 million investments at June 30, 2020, \$1,643,237 of pooled funds are held by the Iowa State University Foundation, not in the University's name.

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the University's investment in a single issuer. The University reduces exposure to this risk by complying with the Board of Regents' investment policy which requires that, except for U.S. Government securities, no more than 5% of the investment portfolio shall be invested in securities of a single issuer.

The following issuers represent 5% or more of total operating portfolio assets:

Issuer	June 30, 2020		June 30, 2019	
	Fair Value	% of Total Operating Portfolio Assets	Fair Value	% of Total Operating Portfolio Assets
Federal Home Loan Bank	\$0	0%	\$114,655,850	13%

As of June 30, 2020, the effective duration, credit quality ratings, and fair value of the University's investments were as follows:

	Effective Duration (Years)	Credit Quality Rating									Total Fair Value
		TSY/AGY	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	
Fixed Income:											
U.S. Government Treasuries	1.21	\$ 64,662,304	\$	\$	\$	\$	\$	\$	\$	\$	\$ 64,662,304
U.S. Government Agencies	0.39	10,054,950									10,054,950
Mutual Funds, Short Term	5.07	93,710,457	16,354,382	7,741,624	36,055,619	45,607,967	11,115,866	22,022,894	3,209,530	3,262,963	239,081,302
Mutual Funds, Long Term	4.87	5,157,006	4,679,110	960,600	5,414,641	7,592,057	4,597,881	9,742,506	1,575,654	684,227	40,403,682
Subtotal		\$173,584,717	\$21,033,492	\$8,702,224	\$41,470,260	\$53,200,024	\$15,713,747	\$31,765,400	\$4,785,184	\$3,947,190	354,202,238
Equity and Other:											
Common Stock											4,925,912
Mutual Funds											101,625,486
Private Equity											36,568,013
Foundation											1,643,237
Pooled Funds											37,984,789
Real Estate											69,065,740
Money Market											\$606,015,415
Total Investments											

As of June 30, 2019, the effective duration, credit quality ratings, and fair value of the University's investments were as follows:

	Effective Duration (Years)	Credit Quality Rating									Total Fair Value (Restated)
		TSY/AGY	AAA	AA	A	BBB	BB	B	CCC & Below	Not Rated	
Fixed Income:											
U.S. Government Treasuries	0.80	\$ 78,955,120	\$	\$	\$	\$	\$	\$	\$	\$	\$ 78,955,120
U.S. Government Agencies	0.71			134,673,106							134,673,106
Mutual Funds, Short Term	4.69	87,801,851	13,732,192	7,321,515	27,706,877	30,438,613	8,768,579	21,238,583	2,323,563	1,388,272	200,720,045
Mutual Funds, Long Term	4.50	8,674,874	5,077,592	765,337	5,122,227	4,899,507	4,554,333	11,669,777	1,156,706	343,164	42,263,517
Subtotal		<u>\$175,431,845</u>	<u>\$18,809,784</u>	<u>\$142,759,958</u>	<u>\$32,829,104</u>	<u>\$35,338,120</u>	<u>\$13,322,912</u>	<u>\$32,908,360</u>	<u>\$3,480,269</u>	<u>\$1,731,436</u>	<u>456,611,788</u>
Equity and Other:											
Common Stock											6,483,717
Mutual Funds											108,764,977
Private Equity											35,637,886
Foundation Pooled Funds											1,719,604
Real Estate											41,707,868
Money Market											55,147,673
Total Investments restated*											<u>\$706,073,513</u>

* Investments were restated to remove \$31,439,989 of investments related to custodial funds, which have been reclassified in accordance with GASB Statement No. 84, Fiduciary Activities (see Note 12). Investments were also restated to remove \$91,476,974 in investments related to defeased debt held in escrow.

Fair Value Measurement is a framework for measuring fair value in accordance with generally accepted accounting principles and presents expanded disclosures about fair value measurements. Specifically, all financial instruments reported at fair value are classified based on the inputs used to determine the values as follows:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is generated from model based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Investments that do not have a readily determinable fair value are reported using Net Asset Value per share (NAV). The NAV per share is provided by the fund manager and reviewed by the University.

The classifications or levels by investment category as of June 30, 2020 and 2019, are shown below.

Investment Type	June 30, 2020				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
Fixed Income:					
U.S. Government Treasuries	\$ 64,662,304	\$	\$	\$	\$ 64,662,304
U.S. Government Agencies		10,054,950			10,054,950
Mutual Funds, Short Term	211,744,890			27,336,412	239,081,302
Mutual Funds, Long Term	17,132,911			23,270,771	40,403,682
Equity and Other:					
Common Stock	4,925,912				4,925,912
Mutual Funds	66,351,573			35,273,913	101,625,486
Private Equity-Limited Partnerships				36,568,013	36,568,013
Foundation Pooled Funds	246,321	96,458	20,048	1,280,410	1,643,237
Real Asset Funds				37,984,789	37,984,789
Money Market (1)					69,065,740
Total Investments	\$ 365,063,911	\$ 10,151,408	\$ 20,048	\$ 161,714,308	\$ 606,015,415

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income:				
Mutual Funds, Short Term (2)	\$ 27,336,412	\$	monthly	5 days
Mutual Funds, Long Term (2)	23,270,771		daily-quarterly	5-60 days
Equity and Other:				
Mutual Funds (3)	35,273,913		daily-monthly	2-30 days
Private Equity-Limited Partnerships (4)	36,568,013	23,049,857	N/A	N/A
Foundation Pooled Funds	1,280,410		N/A	N/A
Real Asset Funds (5)	37,984,789	1,487,272	N/A	N/A
Total Investments	\$ 161,714,308	\$ 24,537,129		



June 30, 2019 (Restated)

Investment Type	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
U.S. Government Treasuries	\$ 78,955,120	\$	\$	\$	\$ 78,955,120
U.S. Government Agencies		134,673,106			134,673,106
Mutual Funds, Short Term	177,402,243			23,317,803	200,720,046
Mutual Funds, Long Term	17,419,426			24,844,090	42,263,516
Equity and Other:					
Common Stock	6,483,717				6,483,717
Mutual Funds	69,272,761			39,492,216	108,764,977
Private Equity-Limited Partnerships				35,637,886	35,637,886
Foundation Pooled Funds	539,440	655,857	524,307		1,719,604
Real Asset Funds				41,707,868	41,707,868
Money Market (1)					55,147,673
Total Investments	\$ 350,072,707	\$ 135,328,963	\$ 524,307	\$ 164,999,863	\$ 706,073,513

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income:				
Mutual Funds, Short Term (2)	\$ 23,317,803	\$	monthly	5 days
Mutual Funds, Long Term (2)	24,844,090		daily-quarterly	5-60 days
Equity and Other:				
Mutual Funds (3)	39,492,216		daily-monthly	2-30 days
Private Equity-Limited Partnerships (4)	35,637,886	26,625,711	N/A	N/A
Real Asset Funds (5)	41,707,868	1,845,250	N/A	N/A
Total Investments	\$ 164,999,863	\$ 28,470,961		

- Money Market Funds** - In accordance with Board of Regents policy, a minimum of 40% of the endowment pool must be held in liquid investments.
- Fixed Income Mutual Funds** - Includes investments in mutual funds holding assets that provide stability, generate income and diversify market risk.
- Equity Mutual Funds** - Includes investments in global equities including both developed and emerging markets.
- Private Equity** - Includes private equity funds that invest in strategies such as venture capital, leveraged buyouts and mezzanine debt. Capital is committed during the investment period of each fund, typically four years, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered illiquid in that distributions from liquidation of the underlying assets of the fund are at the discretion of the general partner according to the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years and include a mechanism to extend the length of the partnership for two to three years with approval from the limited partners.
- Real Assets** - Includes investments in private real estate and natural resource equities funds. Capital is committed during the investment period of each fund, typically four years, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered illiquid in the distributions from the liquidation of the underlying assets of the fund are at the discretion of the general partner per the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years and include a mechanism to extend the length of the partnership with approval from the limited partners.

C. Investments (Foundation)

Investments were comprised of the following balances as of June 30, 2020 and 2019:

Investment	June 30, 2020	June 30, 2019
Pooled Investments:		
Equity	\$ 486,393,688	\$ 475,947,771
Fixed Income	213,385,662	206,400,527
Hedge Funds	189,022,944	212,534,281
Private Equity	145,966,625	136,840,811
Real Estate	20,713,816	13,398,659
Natural Resources/Commodities	37,139,613	32,243,186
Cash and Cash Equivalents	43,088,319	38,223,196
Accrued Interest	-	-
Accrued Manager Fees	(1,000,000)	(1,000,000)
Total Pooled Investments	1,134,710,667	1,114,588,431
Other Marketable Securities:		
Fixed Income	12,409,043	12,587,042
Equity	26,034,796	26,716,547
Cash and Cash Equivalents	3,118,464	1,178,241
Total Other Marketable Securities	41,562,303	40,481,830
Real Estate and Other Investments:		
Real Estate	9,994,896	9,218,526
Notes Receivable from Affiliated Entities	870,647	1,094,381
Total Real Estate and Other Investments	10,865,543	10,312,907
Total Investments	\$1,187,138,513	\$1,165,383,168

NOTE 3 - ACCOUNTS RECEIVABLE, DUE FROM GOVERNMENT AGENCIES, NOTES RECEIVABLE, AND PLEDGES RECEIVABLE

A. Accounts Receivable

Accounts receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Position. At June 30, 2020 and 2019, accounts receivable consisted of the following:

	June 30, 2020	June 30, 2019 (Restated)*
Accounts Receivable	\$ 53,824,650	\$ 54,846,632
Allowance for Doubtful Accounts	(169,850)	(1,978,976)
Accounts Receivable, Net	\$ 53,654,800	\$ 52,867,656

* Accounts receivable were restated to remove \$4,175,685 related to custodial funds, which have been reclassified in accordance with GASB Statement No. 84, Fiduciary Activities (see Note 12).

B. Due from Government Agencies

As of June 30, 2020 and 2019, due from government agencies consisted of the following:

	June 30, 2020	June 30, 2019 (Restated)*
Due from United States Government Agencies	\$ 20,899,032	\$ 25,873,037
Due from State of Iowa	17,887,964	4,035,488
Due from Local Government	60,255	
Due from Government Agencies	\$ 38,847,251	\$ 29,908,525

* Due from governmental agencies was restated to remove \$1,661,027 related to custodial funds, which have been reclassified in accordance with GASB Statement No. 84, Fiduciary Activities (see Note 12).

C. Notes Receivable

Notes receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Position.

Notes receivable consisted of the following:

	June 30, 2020	June 30, 2019
Student Loans Receivable	\$ 19,481,357	\$ 23,287,028
Split-Dollar Loan Receivable	3,500,000	2,500,000
Allowance for Doubtful Accounts	(372,461)	(342,667)
Notes Receivable, Net (current and noncurrent)	<u>\$ 22,608,896</u>	<u>\$ 25,444,361</u>

The University has recorded as notes receivable an amount loaned to an employee, which is collateralized by a split-dollar insurance loan agreement on an insurance policy owned by the employee where the University has been assigned an interest by an instrument of assignment filed with the insurance company. The interest-free loan will be repaid by proceeds of the life insurance policy at an unknown future date.

D. Pledges Receivable (Foundation)

The components of net pledges receivable as of June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Gross Pledges Receivable	\$120,846,772	\$138,759,344
Allowance for Uncollectible Pledges	(1,712,383)	(2,353,625)
Discount to Present Value	(9,601,560)	(11,857,425)
Net Pledges Receivable	<u>\$109,532,829</u>	<u>\$124,548,294</u>

The Foundation estimates payments on pledges receivable as of June 30, 2020, will be received as follows:

Year Ending June 30,	Principal
2021	\$ 32,325,300
2022	20,583,374
2023	11,334,613
2024	8,069,283
2025	9,583,993
Thereafter	38,950,209
Total	<u>\$120,846,772</u>

The Foundation estimates payments on pledges receivable as of June 30, 2019, will be received as follows:

Year Ending June 30,	Principal
2020	\$ 45,776,370
2021	22,040,986
2022	15,487,846
2023	9,378,130
2024	6,518,429
Thereafter	39,557,583
Total	<u>\$138,759,344</u>

In addition, the Foundation has received notification of deferred gifts totaling approximately \$718 million and \$684 million as of June 30, 2020 and 2019, respectively, primarily in the form of revocable wills.

NOTE 4 - INVENTORIES

The inventory balances in the Statement of Net Position are comprised of two categories as described in Note 1F above and scheduled below:

	June 30, 2020	June 30, 2019
Supplies, Merchandise, and Grain	\$ 12,855,450	\$ 12,440,692
Livestock	1,754,526	2,088,546
Total Inventories	<u>\$ 14,609,976</u>	<u>\$ 14,529,238</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, is summarized as follows:

	July 1, 2019	Additions	Transfers	Deductions	June 30, 2020
Capital Assets, Nondepreciable/Nonamortizable:					
Land	\$ 19,066,414	\$ 1,100,585	\$	\$ (13,175)	\$ 20,153,824
Land Improvements	5,909,287		116,920		6,026,207
Construction in Progress	102,150,243	127,827,546	(54,147,213)	(146,403)	175,684,173
Intangible Assets in Development	40,341,264	3,694,931	(38,054,152)		5,982,043
Capital Assets, Nondepreciable/Nonamortizable	<u>167,467,208</u>	<u>132,623,062</u>	<u>(92,084,445)</u>	<u>(159,578)</u>	<u>207,846,247</u>
Capital Assets, Depreciable/Amortizable:					
Buildings	1,905,515,354	1,259,300	37,965,512		1,944,740,166
Land Improvements	48,880,541		3,289,251		52,169,792
Infrastructure	328,594,630		11,821,085		340,415,715
Equipment	335,114,532	18,168,374	954,445	(5,959,746)	348,277,605
Library	265,677,413	11,074,836		(2,026,074)	274,726,175
Intangible Assets	7,077,566		38,054,152		45,131,718
Capital Assets, Depreciable/Amortizable	<u>2,890,860,036</u>	<u>30,502,510</u>	<u>92,084,445</u>	<u>(7,985,820)</u>	<u>3,005,461,171</u>
Accumulated Depreciation/Amortization:					
Buildings	907,297,028	56,411,425			963,708,453
Land Improvements	22,773,944	2,446,451			25,220,395
Infrastructure	193,146,047	9,472,494			202,618,541
Equipment	201,781,834	19,686,027		(4,114,582)	217,353,279
Library	218,735,620	10,780,958		(2,025,329)	227,491,249
Intangible Assets	4,157,752	5,417,626			9,575,378
Accum. Depreciation/Amortization	<u>1,547,892,225</u>	<u>104,214,981</u>		<u>(6,139,911)</u>	<u>1,645,967,295</u>
Depreciable/Amortizable Assets, Net	<u>1,342,967,811</u>	<u>(73,713,217)</u>	<u>92,084,445</u>	<u>(1,845,163)</u>	<u>1,359,493,876</u>
Total Capital Assets, Net	<u>\$1,510,435,019</u>	<u>\$ 58,909,845</u>	<u>\$ -</u>	<u>\$ (2,004,741)</u>	<u>\$ 1,567,340,123</u>

Capital assets, net of accumulated depreciation, purchased with resources provided by outstanding capital lease agreements at June 30, 2020, consisted of \$9,433,757 of buildings and \$89,100 of equipment.

Capital assets activity for the year ended June 30, 2019, is summarized as follows:

	July 1, 2018	Additions	Transfers	Deductions	June 30, 2019
Capital Assets, Nondepreciable/Nonamortizable:					
Land	\$ 21,255,789	\$	\$	\$(2,189,375)	\$ 19,066,414
Land Improvements	5,733,132		176,155		5,909,287
Construction in Progress	83,764,495	93,825,005	(74,864,285)	(574,972)	102,150,243
Intangible Assets in Development	21,394,901	18,946,363			40,341,264
Capital Assets, Nondepreciable/Nonamortizable	132,148,317	112,771,368	(74,688,130)	(2,764,347)	167,467,208
Capital Assets, Depreciable/Amortizable:					
Buildings	1,873,015,484		32,499,870		1,905,515,354
Land Improvements	31,169,113		17,711,428		48,880,541
Infrastructure	304,117,798		24,476,832		328,594,630
Equipment	324,851,631	21,772,962		(11,510,061)	335,114,532
Library	258,122,401	9,938,627		(2,383,615)	265,677,413
Intangible Assets	7,077,566				7,077,566
Capital Assets, Depreciable/Amortizable	2,798,353,993	31,711,589	74,688,130	(13,893,676)	2,890,860,036
Accumulated Depreciation/Amortization:					
Buildings	853,337,519	53,959,509			907,297,028
Land Improvements	20,469,869	2,304,075			22,773,944
Infrastructure	183,987,142	9,158,905			193,146,047
Equipment	191,838,144	19,473,874		(9,530,184)	201,781,834
Library	210,598,128	10,521,107		(2,383,615)	218,735,620
Intangible Assets	3,530,299	627,453			4,157,752
Accum. Depreciation/Amortization	1,463,761,101	96,044,923		(11,913,799)	1,547,892,225
Depreciable/Amortizable Assets, Net	1,334,592,892	(64,333,334)	74,688,130	(1,979,877)	1,342,967,811
Total Capital Assets, Net	\$ 1,466,741,209	\$ 48,438,034	\$ -	\$(4,744,224)	\$ 1,510,435,019

Capital assets, net of accumulated depreciation, purchased with resources provided by outstanding capital lease agreements at June 30, 2019, consisted of \$9,755,353 of buildings and \$124,107 of equipment.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2020 and 2019 is summarized as follows:

	July 1, 2019 (Restated)*	Additions	Deductions	June 30, 2020	Current Portion
Long-Term Debt:					
Bonds Payable	\$ 506,738,036	\$ 85,351,116	\$ 32,414,527	\$ 559,674,625	\$ 50,350,000
Notes Payable	1,213,293		590,665	622,628	622,628
Capital Leases Payable	7,395,606		833,483	6,562,123	856,817
Total Long-Term Debt	515,346,935	85,351,116	33,838,675	566,859,376	51,829,445
Other Long-Term Liabilities:					
Compensated Absences	45,127,961	15,756,387	17,415,892	43,468,456	19,822,388
Refundable Advances on Student Loans	18,178,893		3,725,690	14,453,203	
Deferred Compensation	204,620	210,909		415,529	
Net Pension Liability	44,527,309	428,295		44,955,604	
Total Other Postemployment Benefits Liability	78,321,276	12,346,678	30,388,946	60,279,008	5,669,092
Total Other Long-Term Liabilities	186,360,059	28,742,269	51,530,528	163,571,800	25,491,480
Total Long-Term Liabilities	\$ 701,706,994	\$ 114,093,385	\$ 85,369,203	\$ 730,431,176	\$ 77,320,925
	July 1, 2018	Additions	Deductions	June 30, 2019 (Restated)*	Current Portion
Long-Term Debt:					
Bonds Payable	\$ 537,995,190	\$	\$ 31,257,154	\$ 506,738,036	\$ 31,650,000
Notes Payable	1,773,637		560,344	1,213,293	590,665
Capital Leases Payable	8,216,493		820,887	7,395,606	833,483
Total Long-Term Debt	547,985,320		32,638,385	515,346,935	33,074,148
Other Long-Term Liabilities:					
Compensated Absences	45,198,468	23,150,954	23,221,461	45,127,961	22,188,747
Refundable Advances on Student Loans	18,178,893			18,178,893	
Deferred Compensation	72,553	132,067		204,620	
Net Pension Liability	42,364,320	2,162,989		44,527,309	
Total Other Postemployment Benefits Liability	85,134,081	10,418,318	17,231,123	78,321,276	5,571,337
Total Other Long-Term Liabilities	190,948,315	35,864,328	40,452,584	186,360,059	27,760,084
Total Long-Term Liabilities	\$ 738,933,635	\$ 35,864,328	\$ 73,090,969	\$ 701,706,994	\$ 60,834,232

* Compensated absences were restated to remove \$672,459 related to Custodial Funds, which were reclassified in accordance with GASB Statement No. 84, Fiduciary Activities (see Note 12).

A. Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30, 2020, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	2.00 – 4.125%	2021-2036	\$112,570,000
Less: Unamortized Discount			(211,688)
Add: Unamortized Premium			2,801,954
Athletic Facilities	2.00 – 5.00%	2021-2041	123,975,000
Less: Unamortized Discount			(269,015)
Add: Unamortized Premium			5,215,183
Dormitory	1.50 – 5.00%	2021-2036	154,810,000
Less: Unamortized Discount			(485,970)
Add: Unamortized Premium			5,035,190
ISU Facilities Corporation	3.00 – 3.125%	2021-2043	35,750,000
Add: Unamortized Premium			555,878
Memorial Union	2.00 – 3.00%	2021-2031	13,950,000
Less: Unamortized Discount			(137,525)
Parking System	3.00%	2021-2023	1,110,000
Add: Unamortized Premium			24,784
Recreational System Facilities	2.00 - 3.00%	2021-2038	43,390,000
Add: Unamortized Premium			1,161,966
Utility System	2.00 – 5.00%	2021-2037	58,650,000
Add: Unamortized Premium			1,778,868
Total Bonds Payable			<u>\$559,674,625</u>

Debt service requirements to maturity, as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 50,350,000	\$ 15,995,154	\$ 66,345,154
2022	28,910,000	15,393,816	44,303,816
2023	31,355,000	14,473,370	45,828,370
2024	32,975,000	13,433,381	46,408,381
2025	34,070,000	12,321,483	46,391,483
2026-2030	162,470,000	44,530,106	207,000,106
2031-2035	130,610,000	20,716,598	151,326,598
2036-2040	61,600,000	5,066,516	66,666,516
2041-2043	11,865,000	368,784	12,233,784
Less: Unamortized Discount	(1,104,198)		(1,104,198)
Add: Unamortized Premium	16,573,823		16,573,823
Total	<u>\$559,674,625</u>	<u>\$142,299,208</u>	<u>\$701,973,833</u>

Outstanding long-term revenue bond indebtedness at June 30, 2019, consisted of the following:

	Interest Rates	Maturity Dates	Amount
Academic Building	2.00 – 4.125%	2020-2036	\$121,745,000
Less: Unamortized Discount			(225,800)
Add: Unamortized Premium			3,054,271
Athletic Facilities	2.00 – 3.875%	2020-2041	66,685,000
Less: Unamortized Discount			(286,531)
Add: Unamortized Premium			343,695
Dormitory	1.50 – 5.00%	2020-2036	148,475,000
Less: Unamortized Discount			(595,716)
Add: Unamortized Premium			2,567,432
ISU Facilities Corporation	2.00 – 3.125%	2020-2043	36,830,000
Add: Unamortized Premium			581,145
Memorial Union	1.50 – 3.00%	2020-2031	15,040,000
Less: Unamortized Discount			(151,278)
Parking System	2.25 – 3.00%	2020-2023	1,470,000
Add: Unamortized Premium			37,176
Recreational System Facilities	2.00 - 3.00%	2020-2038	45,105,000
Add: Unamortized Premium			1,230,317
Regulated Materials Facility	2.00%	2020	470,000
Utility System	2.00 – 5.00%	2020-2037	62,410,000
Add: Unamortized Premium			1,953,325
Total Bonds Payable			<u>\$506,738,036</u>

Debt service requirements to maturity, as of June 30, 2019, were as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 31,650,000	\$ 15,009,166	\$ 46,659,166
2021	28,485,000	14,189,343	42,674,343
2022	29,525,000	13,387,048	42,912,048
2023	30,305,000	12,520,005	42,825,005
2024	30,940,000	11,595,160	42,535,160
2025-2029	155,340,000	43,139,435	198,479,435
2030-2034	121,090,000	21,103,245	142,193,245
2035-2039	59,180,000	5,197,525	64,377,525
2040-2043	11,715,000	634,484	12,349,484
Less: Unamortized Discount	(1,259,325)		(1,259,325)
Add: Unamortized Premium	9,767,361		9,767,361
Total	<u>\$506,738,036</u>	<u>\$136,775,411</u>	<u>\$643,513,447</u>

In December 2017, the University issued \$25,360,000 of Academic Building Revenue Refunding Bonds, Series I.S.U. 2017A. The bond proceeds were placed in an irrevocable trust to refund \$24,590,000 of Academic Building Revenue Bonds, Series I.S.U. 2009A. The advance refunding of these bonds will permit the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,195,027 and will reduce future aggregate debt service payments over the next 18 years by \$2,639,928.

In December 2017, the University issued \$21,465,000 of Recreational System Facilities Revenue Refunding Bonds, Series I.S.U. 2017A. The bond proceeds were placed in an irrevocable trust to refund \$20,860,000 of Recreational System Facilities Revenue Bonds, Series I.S.U. 2010. The advance refunding of these bonds permit the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1,655,802 and will reduce future aggregate debt service payments over the next 20 years by \$2,031,182.

In May 2020, the University issued \$17,650,000 of Dormitory System Revenue Refunding Bonds, Series I.S.U. 2020. The bond proceeds were used to refund \$21,865,000 of Dormitory System Refunding Revenue Bonds, Series I.S.U. 2010, 2011 and 2011A on July 1, 2020. The current refunding of these bonds will permit the University to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$1,560,592 and will reduce future aggregate debt service payments over the next 7 years by \$3,344,595.

B. Notes Payable

The University had the following notes payable outstanding at June 30, 2020:

	Interest Rates	Maturity Dates	Amount
Athletic System	5.34%	2021	\$ 622,628

Debt service requirements to maturity, as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 622,628	\$ 25,046	\$ 647,674

The University had the following notes payable outstanding at June 30, 2019:

	Interest Rates	Maturity Dates	Amount
Athletic System	5.34%	2020-2021	\$ 1,213,293

Debt service requirements to maturity, as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 590,665	\$ 57,009	\$ 647,674
2021	622,628	25,046	647,674
Total	\$ 1,213,293	\$ 82,055	\$ 1,295,348

C. Capital Leases Payable

The University had the following capital leases outstanding at June 30, 2020:

	Interest Rates	Maturity Dates	Amount
Cyclone Sports Complex	3.86%	2021-2027	\$ 6,519,850
Farm Equipment	2.90%	2021-2023	42,273
Total			\$ 6,562,123

The following is a schedule by year of future minimum lease payments required as of June 30, 2020:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 856,817	\$ 244,992	\$ 1,101,809
2022	866,983	211,872	1,078,855
2023	900,706	178,149	1,078,855
2024	928,690	143,116	1,071,806
2025	964,883	106,923	1,071,806
2026-2027	2,044,044	99,568	2,143,612
Total	\$ 6,562,123	\$ 984,620	\$ 7,546,743

The University had the following capital leases outstanding at June 30, 2019:

	Interest Rates	Maturity Dates	Amount
Cyclone Sports Complex	3.86%	2020-2027	\$ 7,316,844
Farm Equipment	2.90 – 3.90%	2020-2023	76,083
ISU Veterinary Services Corporation	7.33%	2020	2,679
Total			\$ 7,395,606

The following is a schedule by year of future minimum lease payments required as of June 30, 2019:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 833,483	\$ 277,055	\$ 1,110,538
2021	856,817	244,993	1,101,810
2022	866,983	211,872	1,078,855
2023	900,706	178,149	1,078,855
2024	928,690	143,116	1,071,806
2025-2027	3,008,927	206,490	3,215,417
Total	\$ 7,395,606	\$ 1,261,675	\$ 8,657,281

NOTE 7 - OPERATING LEASES

The University has leased various buildings and equipment. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. These leases expire before June 30, 2031, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the leased properties. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule, by year, of future minimum rental payments required under operating leases which have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2020.

Year Ending June 30,	Amount
2021	\$ 1,575,563
2022	1,232,184
2023	768,210
2024	525,453
2025	518,835
2026-2030	2,125,778
2031	420,191
Total	\$ 7,166,214

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the legislature.

Rental expense for these operating leases was \$1,681,703 and \$4,084,543, respectively, for the years ended June 30, 2020 and 2019.

The following is a schedule, by year, of future minimum rental payments required under operating leases which have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2019.

Year Ending June 30,	Amount
2020	\$ 3,497,001
2021	3,162,521
2022	2,944,490
2023	900,262
2024	527,168
2025-2029	2,593,198
2030-2031	471,606
Total	\$ 14,096,246

All leases contain nonappropriation clauses indicating continuation of the lease is subject to funding by the legislature.

Rental expense for these operating leases was \$4,084,543 and \$4,308,136, respectively, for the years ended June 30, 2019 and 2018.

NOTE 8 - RETIREMENT PROGRAMS

A. Teachers Insurance and Annuity Association (TIAA)

The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program that is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regents' policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by the employer fully vest after the completion of three years of employment; employee contributions vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first \$4,800 of earnings and 10% on earnings above \$4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. The University's required and actual contributions totaled \$42,487,710 and \$42,113,013, respectively, for the years ended June 30, 2020 and 2019. The employees' required and actual contributions totaled \$21,239,984 and \$21,055,870, respectively, for the years ended June 30, 2020 and 2019. At June 30, 2020, the University reported payables to the defined contribution pension plan of \$3,433,476 for legally required employer contributions and \$1,716,472 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA. At June 30, 2019, the University reported payables to the defined contribution pension plan of \$3,104,867 for legally required employer contributions and \$1,552,388 for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

B. Iowa Public Employees' Retirement System (IPERS)

Plan Description – IPERS membership is mandatory for employees of the University except for those covered by another retirement system. Employees of the University are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29% and the University contributed 9.44% of covered payroll, for a total rate of 15.73%. Protected Occupation members contributed 6.61% and 6.41% and the University contributed 9.91% and 9.61% for fiscal years 2020 and 2019, respectively.

The University’s contributions to IPERS for the year ended June 30, 2020 and 2019 were \$6,486,927 and \$5,684,989, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020 and 2019, the University reported a liability of \$44,955,604 and \$44,527,309, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University’s proportion of the net pension liability was based on the University’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the University’s proportion was 0.776347%, which was an increase of 0.072719% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 and 2019, the University recognized pension expense of \$12,306,010 and \$9,623,082, respectively.

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 130,621	\$ 1,621,834
Changes in Assumptions	4,884,278	2,406
Net Differences between Projected and Actual Earnings on IPERS’ Investments		5,162,886
Changes in Proportion and Differences between University Contributions and Proportionate Share of Contributions	8,196,692	(38,935)
University Contributions Subsequent to the Measurement Date	6,486,927	
Total	<u>\$ 19,698,518</u>	<u>\$ 6,748,191</u>

\$6,486,927 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 4,052,456
2022	1,220,473
2023	833,250
2024	91,078
2025	266,143
Total	<u>\$ 6,463,400</u>

At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 244,137	\$ 1,006,389
Changes in Assumptions	6,352,096	
Net Differences between Projected and Actual Earnings on IPERS' Investments		1,223,467
Changes in Proportion and Differences between University Contributions and Proportionate Share of Contributions	8,209,567	
University Contributions Subsequent to the Measurement Date	5,684,989	
Total	<u>\$ 20,490,789</u>	<u>\$ 2,229,856</u>

\$5,684,989 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 6,272,743
2021	3,933,960
2022	1,319,249
2023	892,083
2024	157,909
Total	<u>\$ 12,575,944</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum
Rates of Salary Increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation; rates vary by membership group
Long-Term Investment Rate of Return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage Growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	5.60%
International Equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	(0.21)
Private Equity	11.0	10.13
Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employees and employers contributions will be made at the contractually required rates, which are set by the Contribution Rate Funding Policy and derived from the actuarial valuation. Based on those assumptions, IPERS' fiduciary net position is projected to be available to make all projected benefit payments of current plan members. Therefore, the actuarial assumed investment return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
University's Proportionate Share of the Net Pension Liability	\$80,431,639	\$44,955,604	\$15,199,448

IPERS Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2020, the University reported payables to IPERS of \$539,612 for legally required University contributions and \$359,543 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS. At June 30, 2019, the University reported payables to IPERS of \$487,688 for legally required University contributions and \$324,978 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

C. Phased Retirement Programs

Phased Retirement (1982 Program)

The phased retirement program originally established and approved by the Board of Regents in 1982 ended June 30, 2017.

Eligibility – Faculty, professional and scientific (P&S), and merit system employees employed by the Board of Regents for a period of 15 years who had attained age 57 were eligible to negotiate with their department a schedule of phasing into retirement. All requests for admission into the program must have received approval from the appropriate administrative office of the institution by which they were employed.

Schedule of Phasing – An employee may reduce to no less than a half-time appointment either directly or via a stepped schedule. At no time during the phasing period may an employee hold greater than a 65 percent appointment. In the fifth year following the initiation of phased retirement, the employee's appointment will be no greater than 50 percent. The maximum phasing period will be five years with full retirement required at the end of the specified phasing period. Once phased retirement is initiated, employees may not return to a full-time appointment.

The following benefits are applicable during participation in this program:

Compensation – During the first four years of the phasing period, the salary received will reflect the reduced responsibilities plus an additional ten percent of the budgeted salary had the person worked full time. In the fifth year following the initiation of phased retirement, the employee's salary will be proportional to the budgeted salary had the person worked full time.

Benefits – During the phased retirement period, institution and employee contributions will continue for life insurance, health and dental insurance, disability insurance, and defined contribution retirement (TIAA and VALIC) at the same levels which would have prevailed had the employee continued a full time appointment. As mandated by law, FICA, defined benefit retirement (Iowa Public Employee Retirement System), Federal Employees Retirement System, Civil Service Retirement System, and Civil Service Retirement System Offset contributions will be based on the employee's actual salary paid. Accrual of vacation and sick leave will be based on the percentage of appointment. An employee participating in this program will be allowed access to their defined contribution retirement account (TIAA and VALIC) to assist in supplementing the loss of income that occurs when participating in this program.

This program is closed to new entrants. A new phased retirement program became effective July 1, 2017. As of July 1, 2019, there were 16 employees participating in this program. As of June 30, 2020, there was 1 employee remaining in the program.

Phased Retirement (Effective July 1, 2017)

This phased retirement program was approved by the Board of Regents effective July 1, 2017 and replaces the phased program approved in 1982.

Eligibility – Faculty, professional and scientific (P&S), and merit system employees employed by the Board of Regents for a period of 15 consecutive years who had attained age 57 are eligible to request and negotiate with their department a schedule of phasing into retirement, not to exceed two years. Requests for admission into the program are not guaranteed and must receive approval from the appropriate administrative office of the institution by which they are employed.

Schedule of Phasing – An employee may reduce from full-time to no less than a half-time appointment either directly or via a stepped schedule. The maximum phasing period will be two years with full retirement required at the end of the specified phasing period. If a two-year phasing period is agreed upon, the employee may not hold greater than a 65 percent appointment in the first year. For phasing periods of one year or less, or after the completion of the first year of a two-year phasing period, the appointment cannot exceed 50 percent. The phasing period will be set by agreement between the department and the employee. Once phased retirement is initiated, staff members may not return to full-time appointment.

The following benefits are applicable during participation in this program:

- **Compensation** – In the first year of a two year phasing period, the salary received will reflect the reduced responsibilities plus, at the discretion of the institution, an additional 10 percent of the budgeted salary, had the person worked full time. In the only or last year following the initiation of phased retirement, the employee's salary will be proportional to the budgeted salary had the person worked full time.
- **Benefits** – During the phased retirement period, institution and employee contributions will continue for life insurance, health and dental insurance, disability insurance, and defined contribution retirement (TIAA and VALIC) at the same levels which would have prevailed had the employee continued a full time appointment. As mandated by law, FICA, defined benefit retirement (Iowa Public Employee Retirement System), Federal Employees Retirement System, Civil Service Retirement System, and Civil Service Retirement System Offset contributions will be based on the employee's actual salary paid. Accrual of vacation and sick leave will be based on the percentage of appointment. An employee participating in this program will be allowed access to their defined contribution retirement account (TIAA and VALIC) to assist in supplementing the loss of income that occurs when participating in this program.

Subject to annual review, the program will expire on June 30, 2022, unless renewed by the Board prior to expiration. As of June 30, 2019, 17 employees had elected participation in this phased retirement program. As of June 30, 2020, there were 24 employees participating in the program. There was one additional participant beginning and ending their participation during the fiscal year ended June 30, 2020.

NOTE 9 – TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

Plan Description – The University operates a single-employer benefit plan which provides medical, dental and life insurance benefits for faculty and staff and their spouses. Retired participants must be age 55 or older at retirement. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the University and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Total OPEB Liability – The University’s total OPEB liability of \$60,279,008 was measured as of January 1, 2020 and was determined by an actuarial valuation as of January 1, 2020 with no adjustments to get to the January 1, 2020 measurement date. The actuarial valuation was based on 6,494 active employees and 2,932 retirees.

Actuarial Assumptions – The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of Inflation (effective January 1, 2020)	2.60% per year
Rates of Payroll Growth (effective January 1, 2020)	0 to 13.0% average increases excluding inflation, based on Iowa Public Employees’ Retirement System School assumptions; rates vary by years of service
Discount Rate (effective January 1, 2020)	3.26%
Healthcare Cost Trend Rate (effective January 1, 2020)	8.0% decreasing by 0.5% to an ultimate rate of 4.5%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.26%, which reflects the index rate for Bond Buyer GO 20-Bond Municipal Bond Index (a representation of municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years) as of the measurement date.

Mortality rates are from the SOA RPH-2019 total dataset mortality table fully generational using Scale MP-2019. Annual retirement rates are based on the University’s Experience Study conducted as of July 2014. Turnover probabilities are based on the University’s experience study conducted as of July 2014.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study completed as of July 2014.

Changes in the Total OPEB Liability –

	FY20	FY19
Total OPEB liability, beginning of year	\$ 78,321,276	\$ 85,134,081
Changes for the year:		
Service Cost	6,714,060	7,334,817
Interest	3,381,614	3,083,501
Change of benefit terms	465	0
Change in assumptions	2,250,539	(3,799,740)
Differences between expected and actual experience	(24,817,609)	(7,718,584)
Benefit payments	(5,571,337)	(5,712,799)
Net change in total OPEB liability	(18,042,268)	(6,812,805)
Total OPEB liability, end of year	\$ 60,279,008	\$ 78,321,276

Changes in assumptions reflect a change in the discount rate from 4.11% in fiscal year 2019 to 3.26% in fiscal year 2020.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the University, as well as what the University’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.26%) or 1% higher (4.26%) than the current discount rate.

	1% Decrease	Discount Rate	1% Increase
FY20	2.26%	3.26%	4.26%
FY19	3.11%	4.11%	5.11%
FY20 Total OPEB Liability	\$ 64,198,185	\$ 60,279,008	\$ 56,653,049
FY19 Total OPEB Liability	\$ 84,084,028	\$ 78,321,276	\$ 73,082,210

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the University, as well as what the University’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current healthcare cost trend rate.

	1% Decrease	Discount Rate	1% Increase
FY20	7.0%	8.0%	9.0%
FY19	7.5%	8.5%	9.5%
FY20 Total OPEB Liability	\$ 55,550,374	\$ 60,279,008	\$ 65,754,635
FY19 Total OPEB Liability	\$ 71,320,772	\$ 78,321,276	\$ 86,419,649

OPEB Expense, Deferred Outflows/(Inflows) of Resources Related to OPEB – The University recognized OPEB expense of \$5,749,048 and \$9,832,405 for the fiscal years ended June 30, 2020 and 2019, respectively. At June 30, 2020, the University reported deferred outflows/(inflows) of resources related to OPEB from the following resources:

	FY20		FY19	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,757,935	\$ (25,827,063)	\$ 2,197,418	\$ (6,432,153)
Changes in assumptions	5,452,751	(2,533,161)	4,471,627	(3,166,451)
Total	\$ 7,210,686	\$ (28,360,224)	\$ 6,669,045	\$ (9,598,604)

The amount reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (4,347,091)
2022	(4,347,091)
2023	(4,347,091)
2024	(4,347,085)
2025	(3,761,180)
Total	\$ (21,149,538)

NOTE 10 - COMMITMENTS AND RISK MANAGEMENT

A. Commitments

At June 30, 2020 and 2019, the University had outstanding construction contract commitments of \$60,909,606 and \$64,261,978 respectively.

B. Risk Management

Iowa State University has elected to self-insure, or internally assume, certain potential losses where management believes it is more economical to manage these risks internally. The University's exposure and management of various risks are delineated below.

1. Employee Health and Dental Benefits

The University self-insures its medical and dental plans for all employees. The medical plan includes reinsurance programs that are set at \$500,000 for the individual stop-loss and 125% for the aggregate stop-loss. A stop loss provision is not necessary for the dental plans as these programs have annual benefit limitations.

The following schedule presents the changes in claims liabilities for self-funded medical and dental insurance. The claims liabilities were calculated according to generally accepted actuarial principles in accordance with Actuarial Standard of Practice No. 5 and based on data provided by the University and the health plan vendors.

	2020	2019
Unpaid Claims and Contingent Liabilities Accrued at July 1, 2019 and 2018	\$ 8,346,000	\$ 6,448,000
Claims Incurred and Contingent Liabilities Accrued During the Fiscal Year	94,117,620	99,324,057
Payments on Claims During the Fiscal Year	(95,540,620)	(97,426,057)
Unpaid Claims and Contingent Liabilities Accrued at June 30, 2020 and 2019	\$ 6,923,000	\$ 8,346,000

2. Employee Workers' Compensation/Unemployment Insurance

The State of Iowa self-insures, on behalf of the University, for losses related to workers' compensation and unemployment claims on state supported employees. The Iowa Department of Administrative Services (DAS) administers both programs. At the beginning of the fiscal year, DAS calculates an annual workers' compensation premium to be paid in monthly increments for eligible University employees. The University's confirmed unemployment claims for eligible University employees are billed quarterly. The University annually establishes federally approved fringe benefit rates based on prior year's actual costs. The workers' compensation and unemployment costs are components of the established fringe benefit rates billed to University departments. Any over/under costs are picked up by the University fringe pool.

3. Employee Medical and Dependent Care Flexible Spending Programs

Eligible University employees have an option to participate in two flexible spending programs and maximums and carryforwards are applied on a calendar year basis. The Medical Flexible Spending Program (Med FSA) allows employees to have a maximum of \$2,700 for calendar year 2019 and \$2,750 for calendar year 2020 to cover qualified uninsured medical, dental and vision claims. Federal regulations mandate that any Med FSA claims must be incurred by December 31st to be eligible for reimbursement except for the carryover provision. The University has adopted both a carryover provision and a 120-day run-out period, which allows an employee to request reimbursement for

prior year incurred claims for a period up to 120 days (April 30th) of the succeeding year. The carryover provision is \$500 from calendar year 2019 to calendar year 2020, and \$550 from calendar year 2020 to calendar year 2021. Amounts unclaimed beyond these program requirements are forfeited. The Dependent Care Assistance Program (DCAP) allows employees to have an annual maximum pre-tax deduction of \$5,000 for qualified dependent care expenses. There were no carryover provisions for the DCAP for calendar year 2019 and claims not incurred prior to December 31, 2019 were not allowed and any excess remaining contribution was forfeited. For calendar year 2020, the University has allowed reimbursement for claims incurred in 2020 to extend to March 15, 2021 for the DCAP. The DCAP also provides a 120-day filing extension period in the subsequent year for reimbursable claims incurred in the previous year. The Med FSA program carries an element of self-insurance risk, as required by Federal law. The University deducts 1/12 of the annually elected amount from an employee's pay each month. If the employee terminates before the end of the calendar year, the University is at risk for the difference between the employee's total allowable reimbursed claims and the total amount deducted in the employee's pay. The University, by Federal law, cannot seek restitution for this difference. The same risk does not apply to the DCAP as an employee cannot claim more than the total amount deducted from the employee's pay. Unclaimed employee contributions are maintained in a separate account, which has carried a surplus balance since inception of the program due to contributions exceeding claims each year. This surplus balance is used to fund the administrative costs of the program.

4. General Liability

The State of Iowa maintains an employee fidelity bond whereby the first \$250,000 of losses is the responsibility of the University. Losses between \$250,000 and \$2,000,000 are insured. The University also maintains an employee blanket bond to cover losses up to \$4,000,000.

The State of Iowa self-insures, on behalf of the University, losses related to tort claims. The Board of Regents entered into a 28E agreement with the Department of Management, the State Appeal Board, and the Attorney General for resolution of tort claims of \$5,000 or less. The University is authorized to approve individual claims up to \$5,000, but not to exceed \$100,000 in aggregate per year. Tort claims settled in excess of \$5,000 must be unanimously approved by all members of the State Appeal Board, the Attorney General, and the District Court of the State of Iowa for Polk County. Tort claims may be paid from the State's General Fund without limit.

5. Motor Vehicle Insurance

The Board of Regents' institutions cooperatively self-insure for liability losses related to motor vehicles up to \$250,000. Each Regents' institution is required to pay a pre-determined monthly premium for each vehicle into the cooperative insurance program. Losses in excess of \$250,000 are self-insured by the State as provided in Chapter 669 of the Code of Iowa. The University self-insures its vehicles for physical damage. In addition to liability coverage, the insurance program also self-insures for comprehensive and collision damage.

6. Property Insurance

The State of Iowa self-insures, on behalf of the University, property deemed general university property which is exclusive of property belonging to self-supporting enterprises. A contingency fund exists under Section 29C.20 of the Code of Iowa to request compensation for loss or damage to state property (includes general university property). The Code of Iowa states that claims in excess of \$5,000 may be submitted to the Executive Council for consideration. When a loss exceeds \$500,000, it is necessary to seek an appropriation from the General Assembly. The University purchases catastrophic commercial property insurance, including earthquake and flood coverage, for its General Fund buildings with a \$2,000,000 per incident deductible. The University commercial insurance program also includes coverage for enterprise facilities such as the residence system, Iowa State Center, power plant, etc., with deductibles ranging from \$1,000 to \$1,000,000 per occurrence.

7. Business Interruption and Extra Expense Insurance

The University self-insures for business interruption losses of its general mission revenues, such as tuition and fees, etc. Commercial insurance is purchased to cover business interruption losses for self-supporting enterprises such as the Athletic Department, Iowa State Center, Residence Department, University Book Store, etc.

8. Insurance Settlements

The University had no settlements exceeding insurance coverage in any of the past three fiscal years.

NOTE 11 - OPERATING EXPENSES BY FUNCTION

The following is a summary of operating expenses by functional classification for the years ended June 30, 2020 and 2019:

For the Year Ended June 30, 2020	Compensation And Benefits	Supplies And Services	Other	Total
Instruction	\$252,323,519	\$ 23,024,295	\$	\$ 275,347,814
Research	101,852,523	45,178,957		147,031,480
Public Service	51,775,046	21,373,224		73,148,270
Academic Support	134,563,685	62,367,794		196,931,479
Student Services	23,460,453	7,911,825		31,372,278
Institutional Support	56,878,912	25,403,152		82,282,064
Operation & Maintenance	37,200,847	30,963,112		68,163,959
Scholarships & Fellowships			53,839,427	53,839,427
Auxiliary Enterprises	86,014,626	79,294,007		165,308,633
Independent Operations	28,190,423	19,845,261	351,200	48,386,884
Depreciation/Amortization			104,214,981	104,214,981
Other Operating Expenses			17,401,763	17,401,763
Total 2020 Operating Expenses	\$ 772,260,034	\$ 315,361,627	\$ 175,807,371	\$ 1,263,429,032

For the Year Ended June 30, 2019	Compensation And Benefits	Supplies And Services	Other	Total
Instruction	\$254,646,603	\$ 28,101,710	\$	\$ 282,748,313
Research	108,403,800	53,945,231		162,349,031
Public Service	53,001,119	26,347,728		79,348,847
Academic Support	127,421,421	68,396,381		195,817,802
Student Services	22,531,379	12,701,563		35,232,942
Institutional Support	44,874,845	26,431,022		71,305,867
Operation & Maintenance	31,737,335	33,211,661		64,948,996
Scholarships & Fellowships			41,074,256	41,074,256
Auxiliary Enterprises	88,693,918	84,292,333		172,986,251
Independent Operations	28,432,362	18,253,501		46,685,863
Depreciation/Amortization			96,044,923	96,044,923
Other Operating Expenses			68,780	68,780
Total 2019 Operating Expenses	\$ 759,742,782	\$ 351,681,130	\$ 137,187,959	\$ 1,248,611,871

NOTE 12 - RESTATEMENT

GASB Statement No. 84 Fiduciary Activities was implemented in the fiscal year ended June 30, 2020. This statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present a statement of fiduciary net position and statement of change in fiduciary net position. An exception to this requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

As a result of adopting GASB 84 in the fiscal year ended June 30, 2020, the beginning net position was restated retroactively for non-fiduciary funds as follows:

Net Position for the Year Ended June 30, 2019	\$ 1,693,110,059
Adjustments Related to Fiduciary Funds Defined by GASB 84	13,590,916
Net Position for the Year Ended June 30, 2019 as Restated	<u>\$ 1,706,700,975</u>
Net Position for the Year Ended June 30, 2018	\$ 1,595,858,493
Adjustments Related to Fiduciary Funds Defined by GASB 84	11,904,156
Net Position for the Year Ended June 30, 2018 as Restated	<u>\$ 1,607,762,649</u>
Net Position for the Year Ended June 30, 2017	\$ 1,537,008,481
Adjustments Related to Fiduciary Funds Defined by GASB 84	8,414,263
Net Position for the Year Ended June 30, 2017 as Restated	<u>\$ 1,545,422,744</u>

NOTE 13 – SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Board of Regents, State of Iowa, authorized the sale of Academic Building Revenue Refunding Bonds, Series I.S.U. 2020 for \$22,990,000 to be issued on August 1, 2020. These bonds will bear interest at varying rates and will mature in varying amounts from July 1, 2021 through July 1, 2035. The proceeds of these bonds will be used to provide for the current refunding of the outstanding principal of the July 1, 2021 through July 1, 2035 maturities of the Academic Building Revenue Bonds, Series I.S.U. 2010, and to pay the costs of issuing the bonds. The bonds will be payable solely from gross student fees and charges and institutional income received by the University.

As previously discussed in Note 6A, the current refunding of \$21,865,000 for the Dormitory System Revenue Refunding Bonds, Series ISU 2020, was completed on July 1, 2020.

NOTE 14 - SEGMENT INFORMATION

A segment represents identifiable activities for which one or more revenue bonds or other revenue-backed debt is outstanding. Investors in Academic Building Revenue Bonds rely on pledged tuition and fee revenue generated by the University for repayment. Investors in bonds of all other bond enterprises rely solely on the revenue generated from the individual activities for repayment. The University's segments are described as follows:

A. Academic Building Revenue Bonds

The Academic Building Revenue Bonds were issued to construct and renovate academic buildings of the University. Revenues pledged for these issues are gross student fees and institutional income received by the University.

B. Athletic Facilities Revenue Bonds

The Athletic Facilities Revenue Bonds were issued to construct and equip intercollegiate athletic facilities. Revenues pledged for these issues are net revenues of the athletic facilities system.

C. Dormitory Revenue Bonds

The Dormitory Revenue Bonds were issued to build various residence halls, suites, and apartments. Revenues pledged for these issues are the net rents, profits, and income from the Department of Residence facilities of the University.

D. ISU Facilities Corporation Bonds

The ISU Facilities Corporation Bonds were issued to provide financial assistance to the University for the acquisition and construction of facilities for the benefit of the University. The bonds are payable solely from the lease payments paid by the University for the facilities. Upon repayment of the bonds, ownership of the acquired facilities transfers to the University.

E. Memorial Union Revenue Bonds

The Memorial Union Revenue Bonds were issued to improve, remodel, repair, and construct additions to the Memorial Union Building and Parking Facility and to refund the outstanding Memorial Union Series 2000 Notes. Revenues pledged for this issue are the net revenues of the Memorial Union and student building fees.

F. Parking System Revenue Bonds

The Parking System Revenue Bonds were issued to construct a single level parking deck on the University campus. In addition, the bonds were used to recondition and expand vehicle parking spaces with the construction of a connecting roadway at Jack Trice Stadium. Revenues pledged for this issue are the net revenues of the University's parking system.

G. Recreational System Facilities Revenue Bonds

The Recreational System Facilities Revenue Bonds were issued to construct, furnish and equip new recreational building space and to complete other improvements to recreational facilities. Revenues pledged for this issue are the net revenues of the recreational facilities system.

H. Regulated Materials Facility Revenue Bonds

The Regulated Materials Facility Revenue Bonds were issued to construct, furnish, and equip a regulated materials facility now known as the Environmental Health & Safety Services Building. Revenues pledged for this issue are the net revenues of the Regulated Materials Facility system.

I. Utility System Revenue Bonds

The Utility System Revenue Bonds were issued to construct, improve and equip various components of the University's utility system. Revenues pledged for this issue are the net revenues of the utility system, utility system student fees and interest on investments.

Fund Accounting – In order to ensure the observance of limitations and restrictions placed on the use of available resources, the accounts are maintained in accordance with the principles of fund accounting. Each fund provides a separate set of self-balancing accounts which comprises its assets, liabilities, net position, revenues and expenses. Fund accounting is the procedure by which resources for various purposes are classified, for accounting and reporting purposes, into funds according to the activities or objectives specified. The University has set up accounts which are consistent with the flow of funds per requirements of the bond covenants.

Transfers – After meeting certain requirements specified in the bond agreements, the balance of net receipts may be transferred to the University for its general operations. However, all such monies that have been transferred shall be returned by the University, if necessary, to satisfy the requirements of the bond indentures.

Insurance – The University maintains property and business interruption insurance coverage on various bonded enterprise facilities per requirements of the bond covenants.



	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	ISU Facilities Corporation Revenue Bonds
CONDENSED STATEMENT OF NET POSITION				
Assets:				
Current Assets	\$ 8,643,298	\$ 22,946,535	\$ 34,840,368	\$ 1,641,309
Noncurrent Assets	11,052,576	43,548,130	60,646,512	2,185,114
Capital Assets	91,775,910	90,219,123	226,644,519	78,161,619
Total Assets	111,471,784	156,713,788	322,131,399	81,988,042
Deferred Outflows of Resources	3,880,352	1,327,379	451,614	-
Liabilities:				
Current Liabilities	8,652,798	11,947,423	38,730,159	1,641,309
Noncurrent Liabilities	108,230,266	129,492,481	126,904,220	35,205,878
Total Liabilities	116,883,064	141,439,904	165,634,379	36,847,187
Deferred Inflows of Resources	126,538	-	249,091	-
Net Position:				
Net Investment in Capital Assets	(19,630,542)	(6,000,145)	67,487,822	41,855,742
Restricted	17,982,576	11,581,967	47,414,059	3,286,268
Unrestricted	(9,500)	11,019,441	41,797,662	(1,155)
Total Net Position	\$ (1,657,466)	\$ 16,601,263	\$ 156,699,543	\$ 45,140,855
	-	-	-	-

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating Revenues	\$328,826,212	\$ 18,672,618	\$ 93,252,538	\$ -
Operating Expenses	-	(3,261,619)	(67,583,554)	-
Depreciation Expense	(2,574,563)	(2,653,582)	(10,051,954)	(3,202,047)
Net Operating Income/(Loss)	326,251,649	12,757,417	15,617,030	(3,202,047)
Nonoperating Revenues/(Expenses)	(3,411,728)	(3,063,802)	(2,968,845)	(988,468)
Other Revenues/(Expenses) and Transfers	(318,903,692)	351,618	(2,938,228)	2,951,994
Change in Net Position	3,936,229	10,045,233	9,709,957	(1,238,521)
Beginning Net Position	(5,593,695)	6,556,030	146,989,586	46,379,376
Ending Net Position	\$(1,657,466)	\$ 16,601,263	\$ 156,699,543	\$ 45,140,855

CONDENSED STATEMENT OF CASH FLOWS

Net Cash and Cash Equivalents Provided/(Used) By:

Operating Activities	\$328,831,546	\$ 13,035,593	\$ 23,022,238	\$ 1,315
Non-Capital Financing Activities	-	-	-	-
Capital and Related Financing Activities	(331,702,334)	34,346,071	(4,940,213)	(5,139,782)
Investing Activities	856,855	(4,147,951)	20,838,209	79,795
Net Increase/(Decrease)	(2,013,933)	43,233,713	38,920,234	(5,058,672)
Beginning Cash and Cash Equivalents	2,013,933	9,972,708	7,583,783	7,243,722
Ending Cash and Cash Equivalents	\$ -	\$ 53,206,421	\$ 46,504,017	\$ 2,185,050

	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
CONDENSED STATEMENT OF NET POSITION					
Assets:					
Current Assets	\$ 9,410,036	\$ 1,443,406	\$ 1,878,148	\$ 2,862,529	\$ 23,597,309
Noncurrent Assets	5,438,901	6,535,306	13,614,733	2,000,000	6,631,176
Capital Assets	20,533,627	6,461,976	43,705,247	5,492,437	119,716,631
Total Assets	35,382,564	14,440,688	59,198,128	10,354,966	149,945,116
Deferred Outflows of Resources	564,706	-	2,508,294	-	32,606
Liabilities:					
Current Liabilities	1,744,208	603,992	2,807,997	-	5,156,944
Noncurrent Liabilities	12,692,475	774,784	42,776,966	-	56,776,454
Total Liabilities	14,436,683	1,378,776	45,584,963	-	61,933,398
Deferred Inflows of Resources		44,000		-	489,583
Net Position:					
Net Investment in Capital Assets	7,285,858	5,283,193	1,661,574	5,492,437	58,830,785
Restricted	4,558,851	717,130	5,300,568	-	5,649,726
Unrestricted	9,665,878	7,017,589	9,159,317	4,862,529	23,074,230
Total Net Position	\$21,510,587	\$13,017,912	\$16,121,459	\$10,354,966	\$ 87,554,741

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating Revenues	\$ 8,333,588	\$ 4,211,184	\$ 695,815	\$ -	\$ 38,979,925
Operating Expenses	(5,469,959)	(2,687,528)	(7,127,208)	-	(29,917,131)
Depreciation Expense	(1,551,624)	(715,882)	(2,174,387)	(227,666)	(6,306,070)
Net Operating Income/(Loss)	1,312,005	807,774	(8,605,780)	(227,666)	2,756,724
Nonoperating Revenues/(Expenses)	(244,183)	135,642	(902,570)	(700)	(1,214,493)
Other Revenues/(Expenses) and Transfers	(110,784)	(666,412)	10,259,304	-	(133,634)
Change in Net Position	957,038	277,004	750,954	(228,366)	1,408,597
Beginning Net Position (restated)*	20,553,549	12,740,908	15,370,505	10,583,332	86,146,144
Ending Net Position	\$21,510,587	\$13,017,912	\$16,121,459	\$10,354,966	\$ 87,554,741

* The beginning net position for Utility bonds was restated due to a change in payables after financials were issued.

CONDENSED STATEMENT OF CASH FLOWS

Net Cash and Cash Equivalents Provided/(Used) By:

Operating Activities	\$ 2,811,887	\$ 1,364,680	\$(6,857,340)	\$ -	\$ 8,410,716
Non-Capital Financing Activities	(110,784)	-	-	-	-
Capital and Related Financing Activities	(2,052,098)	(2,671,850)	213,366	(475,400)	(14,272,999)
Investing Activities	167,465	125,800	212,460	474,980	540,036
Net Increase/(Decrease)	816,470	(1,181,370)	(6,431,514)	(420)	(5,322,247)
Beginning Cash and Cash Equivalents	9,182,879	5,188,297	5,993,404	2,862,950	27,306,993
Ending Cash and Cash Equivalents	\$ 9,999,349	\$ 4,006,927	\$ (438,110)	\$ 2,862,530	\$ 21,984,746

SEGMENT INFORMATION *As of and for the year ended June 30, 2020*

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	ISU Facilities Corporation Revenue Bonds
DEBT SERVICE COVERAGE				
Debt Service Coverage % Required	N/A	125%	135%	N/A
Debt Service Coverage % Actual	N/A	298%	207%	N/A

PROPORTION OF REVENUE PLEDGED				
Annual Debt Service	\$10,375,596	\$5,356,367	\$15,081,590	\$2,182,619
Net Pledged Revenue	\$329,081,685	\$15,977,953	\$31,288,357	N/A
Annual Debt Service / Net Pledged Revenue	3%	34%	48%	N/A

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2020, is as follows:

Beginning Balance	\$124,573,471	\$ 66,742,165	\$150,446,716	\$37,411,145
Additions	-	64,867,129	20,483,989	-
Deductions	(9,413,205)	(2,688,125)	(11,571,485)	(1,105,267)
Ending Balance	\$115,160,266	\$128,921,169	\$159,359,220	\$36,305,878

DEBT SERVICE REQUIREMENTS

A summary of bond debt service for payment of principal and interest follows. As of June 30th, the amounts shown for debt service payments due on July 1st were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st
2021	\$ 10,282,596	\$ 6,300,478	\$ 36,977,012	\$ 2,166,119
2022	10,463,715	8,569,029	12,496,030	2,167,594
2023	10,463,740	8,564,320	14,070,418	2,168,019
2024	10,472,346	8,568,861	15,004,538	2,167,394
2025	10,471,534	8,562,295	14,978,736	2,165,718
2026-2030	48,967,456	42,793,168	58,890,511	10,814,469
2031-2035	32,713,306	41,673,131	28,999,319	10,799,019
2036-2040	6,139,447	33,406,706	4,031,900	10,778,212
2041-2045		5,775,738	-	6,458,047
Unamortized Premium (Discount)	2,590,266	4,946,168	4,549,220	555,877
Total	\$142,564,406	\$169,159,894	\$189,997,684	\$50,240,468

COMMITMENTS

As of June 30, 2020, the University had outstanding construction contract commitments as follows:

Contract Commitments	\$ -	\$ 34,695,834	\$ 3,856,057	\$ -
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	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
DEBT SERVICE COVERAGE					
Debt Service Coverage % Required	120%	120%	125%	120%	120%
Debt Service Coverage % Actual	673%	423%	623%	1024%	165%

PROPORTION OF REVENUE PLEDGED					
Annual Debt Service	\$ 1,481,193	\$ 393,300	\$ 3,057,600	\$ 474,700	\$ 5,741,881
Net Pledged Revenue	\$ 9,963,160	\$1,664,214	\$19,034,599	\$ 4,862,530	\$ 9,495,950
Annual Debt Service / Net Pledged Revenue	15%	24%	16%	10%	60%

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2020, is as follows:

Beginning Balance	\$14,888,722	\$1,507,175	\$46,335,317	\$ 470,000	\$64,363,325
Additions	-	-	-	-	-
Deductions	(1,076,247)	(372,392)	(1,783,351)	(470,000)	(3,934,457)
Ending Balance	\$13,812,475	\$1,134,783	\$44,551,966	\$ -	\$60,428,868

DEBT SERVICE REQUIREMENTS

A summary of bond debt service for payment of principal and interest follows. As of June 30th, the amounts shown for debt service payments due on July 1st were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
2021	\$ 1,469,993	\$ 387,900	\$ 3,035,650	\$ -	\$ 5,725,407
2022	1,462,443	386,950	3,055,975	-	5,702,082
2023	1,459,542	385,700	3,040,125	-	5,676,506
2024	1,464,661	-	3,057,750	-	5,672,831
2025	1,466,143	-	3,078,050	-	5,669,006
2026-2030	7,391,227	-	15,517,650	-	22,625,625
2031-2035	1,497,125	-	15,806,100	-	19,838,597
2036-2040	-	-	9,714,050	-	2,596,200
2041-2045	-	-	-	-	-
Unamortized Premium (Discount)	(137,525)	24,784	1,161,966	-	1,778,888
Total	\$16,073,609	\$1,185,334	\$57,467,316	\$ -	\$75,285,122

COMMITMENTS

As of June 30, 2020, the University had outstanding construction contract commitments as follows:

Contract Commitments	\$ 279,458	\$ 52,028	\$ 1,686,618	\$ 500,000	\$ 956,464
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	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	ISU Facilities Corporation Revenue Bonds
CONDENSED STATEMENT OF NET POSITION				
Assets:				
Current Assets	\$ 11,035,844	\$13,658,238	\$ 16,812,379	\$ 1,633,424
Noncurrent Assets	11,394,983	4,909,637	58,536,667	7,255,881
Capital Assets	94,350,474	64,247,227	230,218,315	75,459,805
Total Assets	116,781,301	82,815,102	305,567,361	84,349,110
Deferred Outflows of Resources	4,199,602	1,429,485	822,471	
Liabilities:				
Current Liabilities	11,031,511	13,631,393	17,620,410	1,632,109
Noncurrent Liabilities	115,398,471	64,057,164	141,402,296	36,337,625
Total Liabilities	126,429,982	77,688,557	159,022,706	37,969,734
Deferred Inflows of Resources	144,616		377,540	
Net Position:				
Net Investment in Capital Assets	(26,168,010)	(1,065,453)	80,216,531	43,100,852
Restricted	20,568,982	7,594,638	26,340,445	3,269,730
Unrestricted	5,333	26,845	40,432,610	8,794
Total Net Position	\$ (5,593,695)	\$ 6,556,030	\$146,989,586	\$46,379,376

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating Revenues	\$304,805,525	\$15,652,705	\$102,667,676	\$ -
Operating Expenses		(2,341,016)	(74,911,659)	
Depreciation Expense	(311,471)	(2,653,582)	(9,751,406)	(3,082,296)
Net Operating Income/(Loss)	304,494,054	10,658,107	18,004,611	(3,082,296)
Nonoperating Revenues/(Expenses)	(3,235,775)	(1,766,348)	(2,604,654)	(947,886)
Other Revenues/(Expenses) and Transfers	(292,396,722)	(8,873,700)	(2,444,273)	5,934,532
Change in Net Position	8,861,557	18,059	12,955,684	1,904,350
Beginning Net Position	(14,455,252)	6,537,971	134,033,902	44,475,026
Ending Net Position	\$ (5,593,695)	\$ 6,556,030	\$146,989,586	\$46,379,376

CONDENSED STATEMENT OF CASH FLOWS

Net Cash and Cash Equivalents Provided/(Used) By:

Operating Activities	\$304,805,526	\$14,409,775	\$ 28,588,062	\$ -
Non-Capital Financing Activities	(95,388)			
Capital and Related Financing Activities	(305,312,943)	(13,575,705)	(35,112,689)	(750,461)
Investing Activities	2,616,738	253,690	10,346,817	2,001,931
Net Increase/(Decrease)	2,013,933	1,087,760	3,822,190	1,251,470
Beginning Cash and Cash Equivalents	-	8,884,948	3,761,593	5,992,252
Ending Cash and Cash Equivalents	\$ 2,013,933	\$ 9,972,708	\$ 7,583,783	\$ 7,243,722

	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
CONDENSED STATEMENT OF NET POSITION					
Assets:					
Current Assets	\$ 2,281,944	\$ 1,170,845	\$ 2,483,193	\$ 474,960	\$ 1,242,890
Noncurrent Assets	11,706,650	8,203,684	19,201,880	4,862,969	33,924,523
Capital Assets	21,515,045	5,559,694	38,857,245	5,720,103	117,625,218
Total Assets	35,503,639	14,934,223	60,542,318	11,058,032	152,792,631
Deferred Outflows of Resources	621,177		2,655,841		34,524
Liabilities:					
Current Liabilities	1,772,545	969,363	2,792,424	474,700	4,943,580
Noncurrent Liabilities	13,798,722	1,157,952	45,035,230		61,149,931
Total Liabilities	15,571,267	2,127,315	47,827,654	474,700	66,093,511
Deferred Inflows of Resources		66,000			587,500
Net Position:					
Net Investment in Capital Assets	7,247,499	3,986,519	(4,822,231)	5,720,103	52,708,917
Restricted	3,571,621	712,778	5,018,896	140	5,626,082
Unrestricted	9,734,429	8,041,611	15,173,840	4,863,089	27,811,145
Total Net Position	\$20,553,549	\$12,740,908	\$15,370,505	\$10,583,332	\$86,146,144

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating Revenues	\$ 5,618,042	\$ 5,059,388	\$ 1,082,941	\$ 474,973	\$43,646,446
Operating Expenses	(5,506,588)	(3,178,053)	(7,016,918)	(43,844)	(32,129,022)
Depreciation Expense	(1,637,103)	(630,725)	(2,142,602)	(227,666)	(6,179,991)
Net Operating Income/(Loss)	(1,525,649)	1,250,610	(8,076,579)	203,463	5,337,433
Nonoperating Revenues/(Expenses)	(228,919)	123,363	(1,053,068)	147,778	(1,248,592)
Other Revenues/(Expenses) and Transfers	3,542,605	(16,072)	10,172,905		(42,312)
Change in Net Position	1,788,037	1,357,901	1,043,258	351,241	4,046,529
Beginning Net Position	18,765,512	11,383,007	14,327,247	10,232,091	82,099,615
Ending Net Position	\$20,553,549	\$12,740,908	\$15,370,505	\$10,583,332	\$86,146,144

CONDENSED STATEMENT OF CASH FLOWS					
Net Cash and Cash Equivalents Provided/(Used) By:					
Operating Activities	\$ 145,472	\$ 2,055,992	\$ (5,897,976)	\$ 431,129	\$10,787,039
Non-Capital Financing Activities					
Capital and Related Financing Activities	1,238,055	(1,525,460)	5,879,323	(480,100)	(13,107,361)
Investing Activities	199,997	118,192	289,177	317,783	495,613
Net Increase/(Decrease)	1,583,524	648,724	270,524	268,812	(1,824,709)
Beginning Cash and Cash Equivalents	7,599,355	4,539,573	5,722,880	2,594,138	29,131,702
Ending Cash and Cash Equivalents	\$ 9,182,879	\$ 5,188,297	\$ 5,993,404	\$2,862,950	\$27,306,993

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	ISU Facilities Corporation Revenue Bonds
DEBT SERVICE COVERAGE				
Debt Service Coverage % Required	N/A	125%	135%	N/A
Debt Service Coverage % Actual	N/A	289%	204%	N/A

PROPORTION OF REVENUE PLEDGED				
Annual Debt Service	\$ 12,888,021	\$ 4,703,346	\$ 16,128,898	\$ 2,184,219
Net Pledged Revenue	\$305,060,988	\$13,589,710	\$ 32,964,846	N/A
Annual Debt Service / Net Pledged Revenue	4%	35%	49%	N/A

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2019, is as follows:

Beginning Balance	\$133,522,230	\$69,420,288	\$161,611,826	\$38,511,412
Additions				
Deductions	(8,948,759)	(2,678,123)	(11,165,110)	(1,100,267)
Ending Balance	\$124,573,471	\$66,742,165	\$150,446,716	\$37,411,145

DEBT SERVICE REQUIREMENTS

A summary of bond debt service for payment of principal and interest follows. As of June 30th, the amounts shown for debt service payments due on July 1st were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st
2020	\$ 12,754,309	\$ 4,671,646	\$ 15,967,744	\$ 2,173,419
2021	10,282,596	4,671,926	14,934,753	2,166,119
2022	10,463,715	4,669,642	15,003,649	2,167,594
2023	10,463,740	4,667,183	14,964,190	2,168,018
2024	10,472,347	4,674,098	15,026,078	2,167,393
2025-2029	51,080,465	23,343,225	66,445,856	10,819,794
2030-2034	34,932,128	23,464,194	32,489,319	10,801,219
2035-2039	12,279,150	15,347,275	8,064,213	10,783,594
2040-2043		3,738,625		8,610,859
Unamortized Premium (Discount)	2,828,471	57,164	1,971,716	581,145
Total	\$155,556,921	\$89,304,978	\$184,867,518	\$52,439,154

COMMITMENTS

As of June 30, 2019, the University had outstanding construction contract commitments as follows:

Contract Commitments	\$ -	\$ -	\$ 2,832,243	\$ 2,181,923
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	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Regulated Materials Facility Revenue Bonds	Utility System Revenue Bonds
DEBT SERVICE COVERAGE					
Debt Service Coverage % Required	120%	120%	125%	120%	120%
Debt Service Coverage % Actual	621%	509%	667%	1057%	208%

PROPORTION OF REVENUE PLEDGED					
Annual Debt Service	\$ 1,467,543	\$ 401,400	\$ 3,039,900	\$ 479,400	\$ 5,771,931
Net Pledged Revenue	\$ 9,109,347	\$2,045,049	\$20,284,383	\$5,066,649	\$12,013,190
Annual Debt Service / Net Pledged Revenue	16%	20%	15%	9%	48%

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2019, is as follows:

Beginning Balance	\$15,949,970	\$1,879,567	\$47,933,668	\$ 948,447	\$68,217,782
Additions					
Deductions	(1,061,248)	(372,392)	(1,598,351)	(478,447)	(3,854,457)
Ending Balance	\$14,888,722	\$1,507,175	\$46,335,317	\$ 470,000	\$64,363,325

DEBT SERVICE REQUIREMENTS

A summary of bond debt service for payment of principal and interest follows. As of June 30th, the amounts shown for debt service payments due on July 1st were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
2020	\$ 1,459,367	\$ 397,350	\$ 3,018,750	\$ 474,700	\$ 5,741,881
2021	1,469,993	387,900	3,035,650		5,725,406
2022	1,462,442	386,950	3,055,975		5,702,081
2023	1,459,543	385,700	3,040,125		5,676,506
2024	1,464,661		3,057,750		5,672,832
2025-2029	7,371,820		15,464,375		23,953,900
2030-2034	2,982,675		15,735,525		21,788,185
2035-2039			12,915,950		4,987,344
2040-2043					
Unamortized Premium (Discount)	(151,278)	37,176	1,230,317		1,953,325
Total	\$17,519,223	\$1,595,076	\$60,554,417	\$ 474,700	\$81,201,460

COMMITMENTS

As of June 30, 2019, the University had outstanding construction contract commitments as follows:

Contract Commitments	\$ 73,653	\$1,234,364	\$ 7,048,748	\$ -	\$ 3,957,839
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REQUIRED SUPPLEMENTARY INFORMATION-PENSION LIABILITY

Schedule of the University's Proportionate Share of the Net Pension Liability**Iowa Public Employees' Retirement System Last Six Fiscal Years* (In Thousands)**

For the Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	University's Covered Employee Payroll	Net Pension Liability as a Percentage of Covered Payroll	IPERS' Net Position as a Percentage of Total Pension Liability
6/30/2020	0.7763471%	\$ 44,956	\$ 60,222	74.65%	85.45%
6/30/2019	0.7036281%	\$ 44,527	\$ 53,586	83.09%	83.62%
6/30/2018	0.6359800%	\$ 42,364	\$ 48,181	87.93%	82.21%
6/30/2017	0.5636620%	\$ 35,473	\$ 40,575	87.42%	81.82%
6/30/2016	0.4983429%	\$ 24,621	\$ 34,132	72.13%	85.19%
6/30/2015	0.4065184%	\$ 16,122	\$ 26,573	60.67%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year. This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Note 8B in the accompanying Notes to Financial Statements for the IPERS plan description, pension benefits, disability and death benefits, contributions, net pension liability, pension expenses, deferred outflows of resources and deferred inflows of resources related to pensions, actuarial assumptions, discount rate, and sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate.

See accompanying independent auditor's report.

Schedule of University Contributions**Iowa Public Employees' Retirement System Last 10 Fiscal Years (In Thousands)**

For the Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Deficiency/(Excess)	University's Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
6/30/2020	\$ 6,487	\$ 6,487	\$0	\$ 68,475	9.47%
6/30/2019	\$ 5,685	\$ 5,685	\$0	\$ 60,222	9.44%
6/30/2018	\$ 4,785	\$ 4,785	\$0	\$ 53,586	8.93%
6/30/2017	\$ 4,303	\$ 4,303	\$0	\$ 48,181	8.93%
6/30/2016	\$ 3,623	\$ 3,623	\$0	\$ 40,575	8.93%
6/30/2015	\$ 3,048	\$ 3,048	\$0	\$ 34,132	8.93%
6/30/2014	\$ 2,373	\$ 2,373	\$0	\$ 26,573	8.93%
6/30/2013	\$ 1,962	\$ 1,962	\$0	\$ 22,630	8.67%
6/30/2012	\$ 1,478	\$ 1,478	\$0	\$ 18,315	8.07%
6/30/2011	\$ 1,067	\$ 1,067	\$0	\$ 15,353	6.95%

See accompanying independent auditor's report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirements rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

REQUIRED SUPPLEMENTARY INFORMATION AND NOTES-OPEB LIABILITY

Schedule of Changes in Total OPEB Liability, Related Ratios and Notes

	2020
Service Cost	\$ 6,714,060
Interest	3,381,614
Change in Benefit Terms	465
Change in Assumptions	2,250,539
Differences between Expected and Actual Experience	(24,817,609)
Benefit Payments	(5,571,337)
Net Change in OPEB Liability	(18,042,268)
Total OPEB Liability, Beginning of Year	78,321,276
Total OPEB Liability, End of Year	\$ 60,279,008
Covered-Employee Payroll	\$465,055,346
Total OPEB Liability as a % of Covered-Employee Payroll	13.0%

See accompanying independent auditor's report.

Notes to the Schedule of Changes in Total OPEB Liability and Related Ratios

Changes in benefit terms: There were no significant changes in benefit terms.

Changes in assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

For the year ended June 30, 2020 3.26%

For the year ended June 30, 2019 4.11%



**IOWA STATE UNIVERSITY
CONTROLLER'S DEPARTMENT
FINANCIAL ACCOUNTING AND
REPORTING STAFF**

Erin Johnson, Interim Controller

*Tina Cowles, Manager of Financial
Accounting & Reporting*

Joe Golwitzer, CPA, Assistant Manager

Nolan McDonald

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